SENKADAGALA FINANCE PLC

Valued Partnerships

Annual Report
2018/19

Valued Partnerships

SENKADAGALA FINANCE PLC

ANNUAL REPORT 2018/19

Valued Partnerships

We always have the best interest of our stakeholders at heart. Hence, our value proposition is built on a truly customer centric and empathetic ethos. This enables us to deliver value to our customers and other stakeholders beyond their expectations and make each and every interaction a great experience of mutual benefit. The relationships built as a result lead to lasting partnerships that enable us to derive value, leading to sustainable value creation.

They are truly…valued partnerships.

About this Report

Report structure

In this, the Company's third Integrated Report, its value creation story is explored in greater depth. While it draws attention to key performance indicators, the Company also demonstrates its prudent outlook for the future through its business model and strategic initiatives. In the Integrated Report 2017/18, focus was laid on growth sustained throughout five decades. This year, the Report examines a key component of its success in an industry fraught with uncertainties – its valued partnerships. The Integrated Report 2018/19 will also further illustrate areas material to the Company, in turn revealing the maturing of the Company's reporting standards and its overall strategy.

The concepts and principles mentioned in the following guides were used in the preparation of this Report where applicable:

- The International Integrated Reporting Framework (2013) www.theiirc.org
- Global Reporting Initiative (GRI) Standards https://www.globalreporting.org/standards
- The Smart Integrated Reporting Methodology™ www.smart.lk

Report boundary

The report solely focuses on the operations of Senkadagala Finance PLC (SFPLC), the parent Company and its subsidiary Senkadagala Insurance Brokers (Pvt) Ltd. The operations of the two companies are confined to Sri Lanka. Newest Capital Ltd. ceased all its operations as of 31 March 2019 and is in the process of being wound up. This has brought about changes to the scope and aspects of the boundaries from previous reporting periods. However, there were no restatements of information provided in previous reports.

Compliance

This Annual Report communicates the material aspects of Senkadagala Finance PLC's operations from 1 April 2018 to 31 March 2019. It also follows an annual reporting cycle for financial and sustainability reporting while reporting on sustainability aspects in accordance with the GRI G4 guidelines. The Company also operates in accordance with all other applicable laws, rules, regulations, directions, and standards while abiding by other guidelines for voluntary disclosures, both in letter and in spirit.

Queries

In the instance that any inquiry and/or further clarification has to be made regarding the information contained in this Report, please contact –

The ESMS Planning Manager,
Senkadagala Finance PLC
2nd Floor
267, Galle Road
Colombo 3
Sri Lanka

Phone: +94 11 230 1301

Fax: +94 11 230 1937

Email: info@senfin.com

Contents

Organisational Overview

Vision

Our vision is to be a leading financial institution in Sri Lanka that delivers high quality services and achieves excellence in all spheres of activity while being socially conscious, at all times.

Mission

To provide a wide range of diversified financial services and to acquire a portfolio of loanable funds that yields an adequate return to our shareholders, whilst safeguarding the interests of our depositors and other stakeholders.

About the Company

Having marked half a century since its inception, Senkadagala Finance PLC steered its operations prudently during the financial year. The Company commenced operations in the city of Kandy in 1968 and since then has slowly and steadily gained momentum, leveraging the varied partnerships it nurtured throughout the years.

The Company has also been recoginised as one of the largest finance companies in Sri Lanka since the Company was listed in the *Diri Savi* Board of the Colombo Stock Exchange in March 2011. Among the diverse services the Company provides are finance leases, commercial loans, and hire purchases. In addition, the Company accepts deposits in the form of savings deposits, fixed deposits and certificates of deposit while also providing pawn brokering and foreign currency exchange services.

In April 2012, Senkadagala Insurance Brokers (Pvt) Ltd., was formed with the aim of expanding operations. Senkadagala Insurance Brokers (Pvt) Ltd., fortifies the parent company while ensuring its portfolio is suitably diversified. Considering the firm foundation of the Company, its healthy asset quality, and varied products and services, the Company has been rated by Fitch Ratings Lanka Ltd., at BBB+(lka) which was re-affirmed for the 15th consecutive year in July 2018.

The registered office of the Company is situated on the 2nd Floor, 267, Galle Road, Colombo 3.

Group Structure

Parent Company

Senkadagala Finance PLC

Subsidiary

Senkadagala Insurance Brokers (Pvt) Ltd.

Relationship	:	Subsidiary
Holding	:	100%
Date of incorporation	:	17 April 2012
Joined the Group on	:	17 April 2012
Principal line of business	:	Insurance Brokering
Registered address	:	2nd Floor, 267, Galle Road Colombo 3
Board of Directors	:	Mr L Balasuriya Dr A Balasuriya Dr M Balasuriya Ms L Fernando Mr W A T Fernando Mr S D Bandaranayake

Financials	**2018/19 LKR '000**	**2017/18 LKR '000**	**2016/17 LKR '000**	**2015/16 LKR '000**	**2014/15 LKR '000**
Total assets	**60,104**	100,025	48,711	54,864	49,140
Total liabilities	**36,334**	76,764	24,525	36,015	28,829
Net assets	**23,770**	23,261	24,186	18,849	20,311
Total revenue	**139,956**	150,610	124,907	103,268	78,120
Profit before tax	**128,893**	140,176	116,982	95,516	70,837
Profit after tax	**92,509**	100,651	84,336	68,538	50,769

Highlights

	2019	2018	Change %
Financial results of the year (LKR Mn.)			
Total income	**7,296**	6,770	7.76
Interest income	**6,996**	6,472	8.09
Net interest income	**3,236**	3,062	5.68
Profit before taxes on financial services	**1,179**	1,607	(26.63)
Profit before income tax	**929**	1,357	(31.54)
Profit for the year	**951**	1,005	(5.38)
Dividends paid	**228**	213	7.14
Earnings retained during the year	**725**	787	(7.89)
Financial position (LKR Mn.)			
Loans and advances	**29,070**	27,802	4.56
Total assets	**36,783**	36,104	1.88
Deposit base	**10,009**	9,507	5.28
Borrowings	**17,263**	15,376	12.27
Debentures	**2,732**	4,400	(37.91)
Shareholders' funds	**5,297**	5,031	5.28
Operational results of the year (LKR Mn.)			
New advances disbursed	**17,000**	17,600	(3.41)
Net flow of deposits	**502**	2,276	(77.95)
Borrowings obtained	**7,300**	6,740	8.31
Capital expenditure incurred	**932**	359	159.59
Information per ordinary share (LKR)			
Earnings per share	**13.12**	13.97	(6.08)
Dividends per share	**3.15**	3.00	5.00
Net assets per share	**73.09**	69.42	5.29

	2019	2018	Change %
Key performance indicators			
Return on average total assets (%)	**2.61**	3.00	(0.39)
Return on average shareholders' funds (%)	**18.41**	23.11	(4.70)
Net interest margin (%)	**9.70**	9.93	(0.23)
Gross non-performing assets ratio (%)	**4.93**	2.28	2.65
Interest cost to interest earned ratio (%)	**53.74**	52.69	1.05
Interest cover (times)	**1.25**	1.29	(3.10)
Equity to assets ratio (%)	**14.40**	13.94	0.46
Debt to equity ratio (times)	**3.77**	3.93	(4.07)
Price earning ratio (times)	**6.86**	6.44	6.48
Dividends yield (%)	**3.50**	3.33	0.17
Statutory regulated ratios			
Core capital ratio (%) Minimum statutory requirement 6% (2018 – 5%)	**14.46**	16.86	(2.40)
Total capital ratio (%) Minimum statutory requirement 10%	**15.49**	17.65	(2.16)

Non-financial indicators

	2019	2018
Branches	59	54
Service centres	41	41
Staff strength	794	745
Customers served	73,294	71,972
New branches opened	5	5

Rating

Fitch Ratings Lanka Ltd.

2019	2018
BBB+(lka)	BBB+(lka)

● 2019 ● 2018

Chairman's Message

"Though the financial year proved to be challenging – given the non-conducive global and local economic conditions, Senkadagala Finance PLC was able to tide through the turbulent times by adopting a prudent and a pragmatic approach."

Dear stakeholder,

It is with pleasure that I present your Company's Integrated Annual Report 2018/19. Though the financial year proved to be challenging – given the non-conducive global and local economic conditions, Senkadagala Finance PLC was able to tide through the turbulent times by adopting a prudent and a pragmatic approach.

Determinants of performance

Overall, the Non-Bank Financial Institutions sector (NBFI) experienced a slowdown in growth and a decline in performance during the financial year. Certain macro prudential, regulatory and fiscal policy decisions affected business growth, profitability and capital levels. The increasing trend in lending rates too had a dampening impact on the demand for core lending products. These coupled with the overall slowdown in the economic activities led to a deterioration of the asset quality.

A substantial increase in the impairment charge arising from the deterioration in asset quality, the first time adoption of SLFRS 9 and the imposition of Debt Repayment Levy effective from October 2018 caused the profit after tax of your Company to decline to LKR 951 Mn., for the year, compared to LKR 1,005 Mn. for the previous financial year.

Milestones achieved

Regardless of these dampening conditions, your Company set its sights on achieving the milestones identified at the start of the year. In March 2019, the 100th branch was inaugurated in Fort – it is among the five branches that were opened during the year. Moreover, within the course of the past five years, your Company opened 20 branches and 17 service centres around the country, substantially expanding its reach. A majority of these freshly established branches broke even and are contributing to the bottom line. A few others however are gaining momentum to reach this point. In the coming year, your Company will focus on capitalising on existing locations to ensure quick turnarounds.

Your Company takes pride in its sophisticated IT system that not only benefits its customers but also improves the efficiency of operations thereby contributing towards sustained growth of the entity. The advanced technology that is being used has helped manage and regulate risks while making the audit processes efficient and effective.

Practicing foresight

Risk management is an area of critical concern in a sector fraught with uncertainties. Therefore, your Company is keenly aware of and accords the highest importance to risk management and auditing functions to ensure prudent growth and sustainable profitability. Among the strategies adopted are the top down approach to risk management and the heightened attention to risk identification. Moreover, an efficient audit function helps to keep objectives in check while the risk and audit committees remain vigilant about issues that could arise. Periodic meetings within the Company and those at the Board level have been constructive in foreseeing emerging risks within the industry and the Company.

Deterioration in asset quality was a high priority issue that was deliberated at the Board level for which ongoing guidance was given to the Management to strengthen credit appraisal processes and other related policies and procedures. Despite the challenging conditions within the industry, your Company also managed to maintain higher than the required capital ratios. Moreover, following the redemption of the subordinated debenture in December 2018, the Company proposed a fresh infusion of Tier 2 capital in the form of subordinated debentures for a value of LKR 1.5 Bn. with an option to increasing it to LKR 1.75 Bn. These steps have been made to ensure the maintenance of higher capital levels to create leeway for future expansion and sustainable growth for the Company and its shareholders.

Mapping the future

As mentioned, attention will be particularly given to remedying the deteriorating asset quality and strengthening the capital adequacy position of the Company in the forthcoming year. Accordingly, steps are being taken to fortify the credit appraisal processes and maintain an internal credit rating system for customers to proactively identify potential defaults. Emphasis will also be placed on growing the deposit-backed funding base of the Company as the trend in market interest rates deems this a necessity. Furthermore, this will give access to a low cost funding base for the entity to support business growth and provide a continuous flow of funding.

Your Company is also poised to improve its products and services with the changes brought about by technology while managing risks that could occur. Product promotions will also be further carried out in niche segments to avoid larger competition. These steps along with the adoption of an organic growth trajectory through the network of 100 branches and service centres will enable a stable and sustainable future for your Company.

A note of thanks

Today, we celebrate the valued relationships that have moulded our present and will continue to play a formative role in our future. Hence, I thank the partnerships that have nurtured us over the years.

My appreciation must be also extended to my colleagues on the Board for their continued support and cooperation. I especially thank our Managing Director/ CEO, Mr Lakshman Balasuriya, additional CEO, Mr Sanath Bandaranayake, and all the other staff members for their dedication and commitment during the year. I am also extremely grateful to Dr Prathap Ramanujam who served as the Deputy Chairman and retired during the year on reaching 70 years. His wisdom has played a crucial role in steering the Company in the right direction. Moreover, I appreciate the continued support and guidance extended by the Director and the staff of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

As we enter an era of new challenges and opportunities, I wish all our stakeholders the very best.

W M R S Dias
Chairman

19 June 2019

Managing Director/ CEO's Review

"As our strength always lay in the relationships we built throughout the years, we placed greater emphasis on them this year. With the interest of all the stakeholders at heart, and in the true spirit of being sustainable, we focused on delivering value to all of them."

The financial year presented the sector and in turn, your Company with many challenges. As mentioned by the Chairman, the global and local economic environments were not conducive to the growth of the sector. However, Senkadagala Finance PLC stood strong and achieved certain targeted milestones. Hence, it is apt to provide a brief analysis of the conditions in which your Company operated and the measures that were taken to assert its solid position within the sector.

Formidable challenges

Stemming from the turbulent economic backdrop globally, the Sri Lankan economy slowed down significantly reporting a GDP growth of 3.2% in 2018. It is below the IMF forecasts of 4% and comparatively lower than other economies in the region. Moreover, other domestic challenges such as weak domestic demand and investment, stringent monetary policies, and political instability loomed over the latter part of the financial year. Three major credit rating agencies – Standard & Poor's, Moody's, and Fitch Ratings – downgraded Sri Lanka's sovereign rating. These conditions have resulted in the revision of growth predictions for the sector and the economy at large. However the anticipated stabilisation of exchange rates and the pickup of equity markets would be hampered as a result of the hurdles we are presently overcoming as a Nation.

Impact on Company

In this environment of uncertainty, the profitability of your Company was impacted by the higher impairment provisions for the year under review arising from the deterioration of credit quality and the introduction of the SLFRS 9. Yet, the Company managed to maintain its NPA below the industry average. The total capital ratio of the entity was also impacted due to higher impairment charges and the strengthening of regulatory capital requirements for Non-Bank Financial Institutions (NBFIs). The cost to income ratio increased as certain newly established branches are yet to break even. This is a primary concern and one that will be addressed immediately now that the Company has reached its expansion targets and can focus on making the branches profitable. Furthermore, in addition to the revocation of certain tax concessions that were available on government securities, the Debt Repayment Levy was introduced in October 2018, affecting your Company's profit after tax. Based on its value creation proposition which focuses on nurturing valued partnerships, the Company was able to weather the storm that impacted the sector at large.

Our performance

It is in the context of these developments that one has to review the performance of the Company. Total assets grew by 1.9% compared to the industry growth of 5.6%, mainly backed by a growth of 4.6% in loans and receivables. Deposits too recorded a growth of 5.3% compared to the industry growth of 4.4%. However, both profit before tax of LKR 929 Mn. and profit after tax of LKR 951 Mn. for the year reflected negative growths of 31.5% and 5.4% respectively compared to the corresponding figures for 2017/18 of LKR 1,357 Mn. and LKR 1,005 Mn. As I mentioned earlier, the two main contributory factors for this situation were the increase in impairment charge and the imposition of the Debt Repayment Levy. It is noteworthy that the profit after tax of the LFCs and SLCs dropped by 17.2% during the year. Reflecting the deteriorating asset quality, the NPA ratio increased to 4.93% as at 31 March 2019, yet it was below the industry average of 7.7%.

Value delivered

During the year, your Company also upgraded its online customer interface to enhance the online banking experience for deposit customers while security systems were made more robust to safeguard customer information. For the staff, the online expenses reimbursement system was introduced to reduce both the use of paper and the lead-time from payment request to disbursement. Moreover, the system help desk was also introduced to provide staff with online technical support. In the coming year, your Company plans to launch its mobile app bolstered with the latest security features for the benefit of its customers.

Prized partnerships

As our strength always lay in the relationships we built throughout the years, we placed greater emphasis on them this year. With the interest of all the stakeholders at heart, and in the true spirit of being sustainable, we focused on delivering value to all of them. We are happy that these relationships held us steady during this turbulent year.

Specific initiatives to deliver value to our customers, among others, included the VISA chip-driven debit card and the Company's updated website. These efforts have augured well for the Company as demonstrated in the long-term relationships that have been reported among many other notable performance indicators on page 43 (customer capital). Another development that has enabled us to enhance our value creation proposition is the second loan agreement that we entered into with the IFC. This loan agreement enabled us to borrow the Rupee equivalent of USD 15 Mn. for funding activities undertaken by women entrepreneurs. Moreover, many measures have been taken to enhance the knowledge and expertise of our employees resulting in an enhanced customer service and a lower turnover rate. Our skilled work force is capable of keeping pace with the developments within the Company and the sector.

A warm thank you

I am grateful to the support and guidance provided by our Chairman, other members of the Board of Directors and the Additional CEO Mr Sanath Bandaranayake without whom the Company could not have recorded this success and gained the trust of many. The commitment and dedication of the Senior Management and each and every staff member must also be commended in this regard. Most importantly, I extend my sincere gratitude to all other stakeholders who have placed their trust in Senkadagala Finance PLC. It is your abiding faith in the Company that has helped us grow and will continue to do so in the years to come.

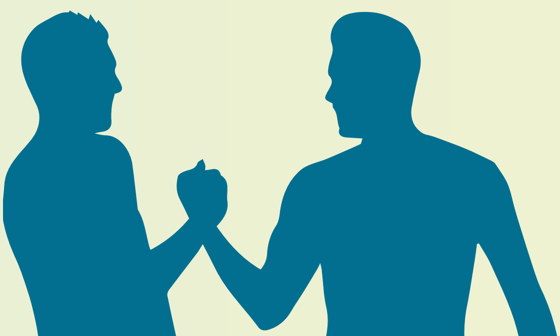
Lakshman Balasuriya
Managing Director/CEO

19 June 2019

Mutuality

The relationships we enjoy with our business partners rests upon mutuality of benefit and return

12 Business Model



Our Business Model

From stakeholders

Inputs

Financial capital

LKR 5,297 Mn. in shareholders' funds

LKR 19,995 Mn. borrowings from other investors

Property, plant and equipment

Financial covenants

Institutional capital

Institutionalised knowledge

Internally developed tailor made IT system

Corporate governance framework

System of internal control

Social and Environmental Management System

Customer data and insights

Best practice

Business collaborations and alliances

Activities*

Operating

Vision

Governance framework

CBSL directions and guidelines

CSE Listing Rules

Compliance mindset

Whistle-blowing policy

Code of Best Practice by CA Sri Lanka

Risk management framework

CBSL directions and guidelines

Risk management policy

Emerging risks

Diversification

Range of products and services

Deposit products

Lending products

Fee-based services

Foreign currency operations

Excellent service standards

Customer centric service

Relationship managers

Personalised service

794 passionate employees

Business

Financial intermediation

Support

Business

*Creating value using the above inputs by delivering value to stakeholders and deriving value from them in turn, guided by a framework of internal and external rules, regulations and guidelines.

Outputs

Shareholders and other investors

Lending and investment portfolio

Deposit base

Sustainable growth

Profits and profitability

Institutional capital

Enhanced productivity

Optimum risk-return trade-off

Benchmarked service standards

New products developed

Assurances and confirmations

To stakeholders

Outcomes

Shareholders and other investors

Dividends, interest and capital gains

Higher price to book value

Stability

A loyal investor base with a long-term view

Institutional capital

Brand value and brand equity

Unblemished track record

Competitive advantage

Asset quality

BBB+(lka) rating from Fitch

Innovation

Customer capital

LKR 10,009 Mn. in customer deposits

Findings from customer satisfaction survey

Employee capital

794 employees with a cumulative service of 3,563 years

Competencies

Findings from employee satisfaction survey

Social and environmental capital

Land, water, energy, paper

Environment

Mission

Units

Maturity transformation

Services

Network of delivery channels

59 branches
41 service centres
Website
Relationship managers

Streamlined internal processes

Robust core IT system
Faster approvals
Sound internal controls
Prudent policies and procedures

Capital management

CBSL directions and guidelines
Dividend policy
Risk weighted assets
Planned business expansion

Funding and liquidity management

CBSL directions and guidelines
Internal funding and liquidity targets
Current and perceived interest rates
Contingency funding arrangements

domain

Please refer the value creation and capital formation for a detailed discussion of the activities undertaken during the year.

Customer capital

Interest income for depositors
Funding for borrowers
Financial advice
Value added services

Employee capital

Remuneration
Training and development
Career prospects
Creativity and innovativeness

Social and environmental capital

Taxes and levies to Government
Contribution to Popham Arboretum Project
LKR 2.1 Mn. spent on other CSR activities
93% of new staff recruitments from localities

Customer capital

Safety and security for deposits
Realised growth opportunities
Unparalleled convenience
A satisfied and growing customer base

Employee capital

Career development
Job satisfaction
High employee retention
Occupational health and safety

Social and environmental capital

Responsible financing
Financial inclusion
Facilitating economic growth and community development
"Social License" to operate

Operating Environment

The global setting

Having experienced notable growth in 2017, the global economic climate unexpectedly dampened in 2018. Global economic growth remained stagnant at 3.7% with rapid descension marked in the third and fourth quarters of 2018. Overall, the performances of leading economies in Europe and Asia were weaker than anticipated throughout the year. The slowdown was heightened towards the latter parts of 2018 primarily due to the stagnation of the goods trade growth and industrial production growth. This climate is likely to impact the growth trajectories for 2019 as well.

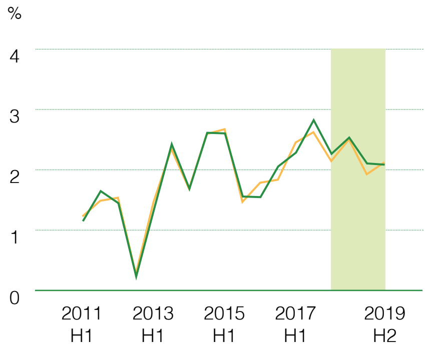
The price of oil rose significantly during the course of the year. The increase was due to the fall of the global production of oil, essentially the production cuts by the Organisation of the Petroleum Exporting Countries (OPEC members) and non-OPEC partners particularly Saudi Arabia. Moreover, the performance of the major commodity exporters was mixed. Amidst these unpredictable conditions, the inflation decelerated in a few Emerging Market and Developing Economies (EMDEs) when the prices of oil dropped in these local contexts. However, economies that primarily rely on agriculture and employment trade suffered when having to compete with international food prices.

EMDEs were diversely impacted during the financial year. As a result of the inflationary effects from higher oil prices and currency depreciation, the central banks in many emerging economies raised policy rates while the central banks of certain countries found it necessary to maintain policy rates and ease domestic funding conditions by lowering reserve requirements for banks and providing liquidity to non-bank financial companies respectively.

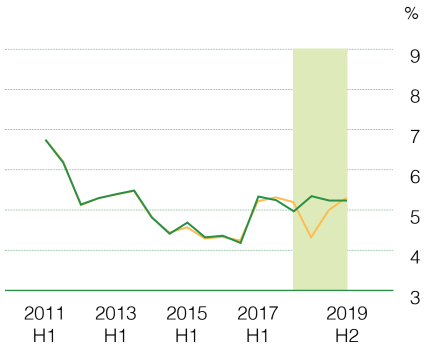
In this context of uncertainty, the global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2% and 0.1% below last October's projections.

GDP Growth
(Annualised semiannual percent change)

Advanced Economies



Emerging Market and Developing Economies



April 2018 WEO
October 2018 WEO

Source: World Economic Outlook – October 2018

Overview of the World Economic Outlook Projections

	Estimated		Projected	
	2017	**2018**	**2019**	**2020**
World output (%)	**3.8**	**3.7**	**3.5**	**3.6**
Advanced economies	2.4	2.3	2.0	1.7
Emerging market and developing economies	4.7	4.6	4.5	4.9
World trade volume (goods and services)	5.3	4.0	4.0	4.0
Advanced economies	4.3	3.2	3.5	3.3
Emerging markets and developing economies	7.1	5.4	4.8	5.2
Commodity prices (USD)				
Oil	23.3	29.9	-14.1	-0.4
Non-fuel (average based on world commodity import weights)	6.4	1.9	-2.7	1.2
Consumer prices (%)				
Advanced economies	1.7	2.0	1.7	2.0
Emerging markets and developing economies	4.3	4.9	5.1	4.6
London interbank offer rate (%)				
On US dollar deposits (six months)	1.5	2.5	3.2	3.8
On Euro deposits (three months)	-0.3	-0.3	-0.3	0.0
On Japanese yen deposits (six months)	0.0	0.0	0.0	0.1

Source: World Economic Outlook Update – January 2019

Local developments

Stemming from the challenging global market developments as well as certain other country specific developments, the Sri Lankan economy also experienced instability throughout the year. This disrupted the growth maintained in 2017 which continued until the first quarter of 2018. The economy grew moderately at 3.2% during the year 2018 supported by growth in two major sectors of the economy namely, services and agriculture.

Unlike the previous year when agricultural activities were hampered by unfavourable weather conditions, in 2018 the agricultural sector steadily progressed. However, growth in industrial activities slowed down, primarily due to subdued performances in the construction, mining, and quarrying subsectors. The services sector experienced growth during the year propelled by the development of financial services, wholesale and retail trade, and other personal services activities. Moreover, alarmingly, there was an increase in the unemployment rate during the first half of 2018.

Consumer price inflation remained subdued during certain months of the year but peaked unexpectedly due to movements in volatile food prices, the rise in the prices of domestic petroleum products, and other administered prices. The implementation of tight monetary policies also resulted in the deceleration of monetary and credit expansion. However, the Central Bank adopted a judicious approach in relation to monetary policy and operations. Accordingly, the upper bound of the policy interest rates corridor was revised downwards in April 2018 and the interbank call money market rate was allowed to adjust within the corridor in line with evolving market conditions through appropriate open market operations (OMOs).

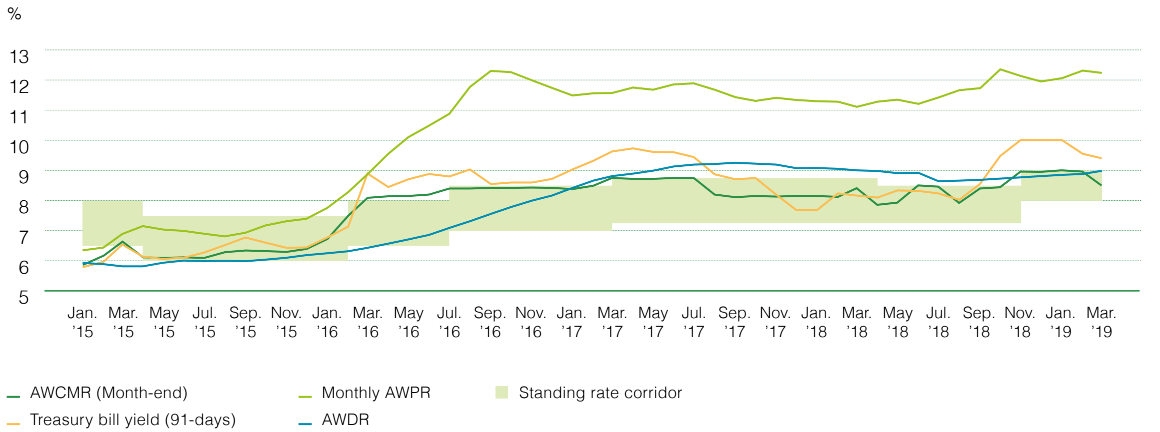
On the external front, although earnings from the services exports, including tourism and workers' remittances helped ease the pressures, the trade deficit widened as a result of growth in import expenditure. The broadening of trade and current account deficits was caused by increased expenditure on fuel, gold, and the import of motor vehicles. As the global financial conditions further tightened and the USD strengthened, the balance of payments (BOP) also experienced pressure from the emerging market selloff which resulted in the depreciation of the Sri Lankan Rupee. The Central Bank addressed this tense situation by adjusting the exchange rate while also allowing the demand and supply conditions to determine its direction.

Nevertheless, the banking sector steered forward without raising major macro-prudential concerns.

Activity-wise contribution to GDP growth

Source: Central Bank of Sri Lanka – Annual Report 2018

Standing rate corridor and selected market interest rates



Source: Central Bank of Sri Lanka – Annual Report 2018

Performance summary: The banking sector

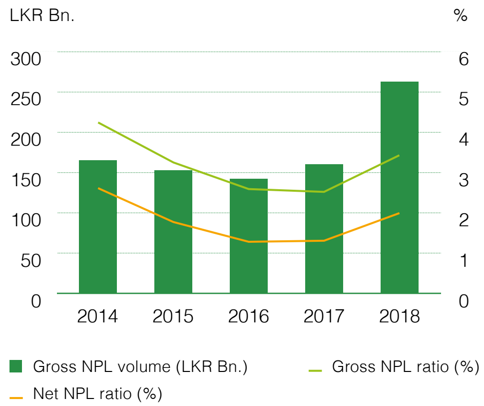
Despite the tenseness caused by global economic developments and the weakened local market, the banking sector performed satisfactorily. The capital adequacy of 15.1% and liquidity at 27.6% were well above the regulatory minimum requirements. However, the profit after tax of the banking sector declined during the year compared to 2017 mainly due to deterioration in asset quality, a rise in operating expenses, and higher tax burden as a result of tax concessions available on Government securities being withdrawn and imposition of the debt repayment levy. Consequently, profitability in terms of ROA (before tax) and ROE too declined to 1.8% and 13.2% from 2.0% and 17.6% in 2017.

Total assets of the banking sector grew by 14.6% from LKR 10,292.4 Bn. as at end 2017 to LKR 11,794.0 Bn. as at end 2018. Loans and advances which accounted for 65.2% of the assets also grew by 19.6%. The asset quality however substantially deteriorated during the year with the gross NPA ratio standing at 3.4% compared to 2.5% a year ago. The expansion in the banking sector was primarily funded through deposits which grew by 14.8%, accounting for 72.0% of the total liabilities at the end of 2018.

In the expectation of meeting enhanced capital adequacy ratios under Basel III regulations, the banking sector also increased capital levels. Similar to 2017, the branches of banks and non-bank financial institutions and Automated Teller Machines (ATMs) increased significantly throughout the year.

Certain policy decisions imposed on financial institutions however curbed the growth of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs).

Non-performing loans of the banking sector



Source: Central Bank of Sri Lanka – Annual Report 2018

Non-bank financial institutions

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) recorded a moderate growth which could be attributed to the policy decisions made by the Government to curb import of and granting of credit to motor vehicles, high interest rates, low economic growth, and political instabilities. This non-conducive operating environment was reflected in the slow down of the growth in the asset base to 5.6% compared to 11.8% in 2017. Encouragingly, the capital and liquidity levels of the LFC and the SLC sectors were well above the minimum regulatory requirements.

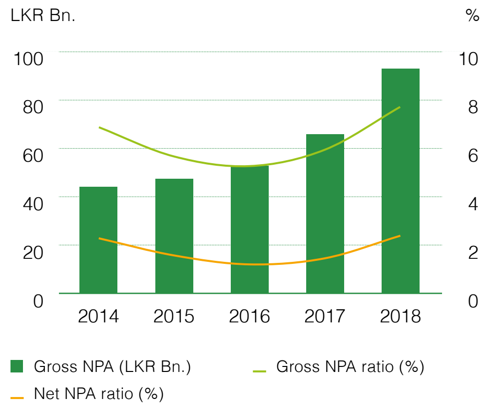
The funding mix of the sector continued to shift during the year. While deposits continued to dominate the funding mix with over 50% share, share of borrowings in the funding mix increased to 32.4% from 29.2% in 2017. Growth of the deposits decelerated significantly to 4.4% during the year in comparison to the 29.4% recorded in 2017. This marked slow down may primarily be due to the negative public perceptions towards LFCs.

Moreover, the liquidity ratio (liquid assets to total assets) declined to 7.6% as at end 2018 compared to 8.9% recorded at the end of 2017. However, the total liquid assets of the sector stood at LKR 113.8 Bn. at end 2018 with a surplus liquidity of LKR 25.6 Bn. against the stipulated minimum requirement of LKR 88.2 Bn.

The sector recorded the highest NPL ratio since February 2015 this year. The gross NPL ratio increased to 7.7% by the end 2018 compared to 5.9% reported at end 2017. The provision coverage ratio also declined to 57.0% at the end of 2018 in comparison to 64.0% reported in the previous year. This culminated in the increase of the net NPL ratio too to 2.4% from 1.6% recorded in 2017. This indicates the deterioration of the asset quality of the sector. The NPLs are projected to increase further in 2019.

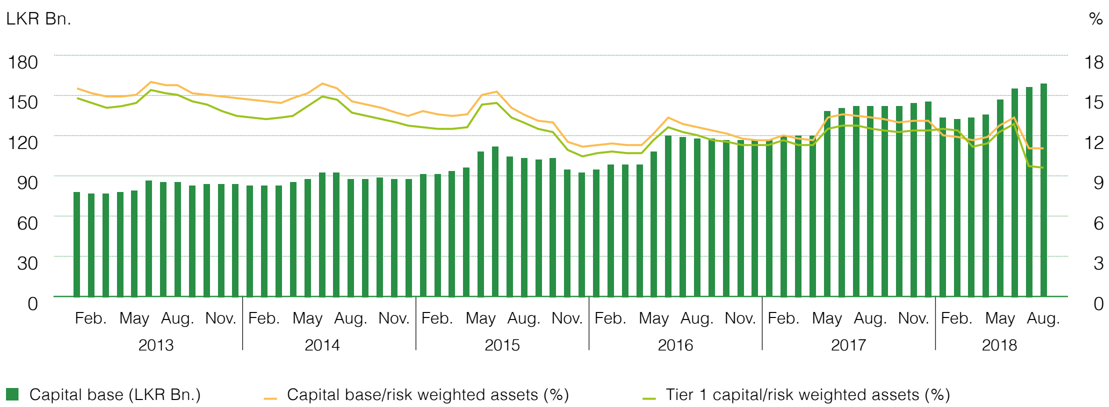
In this climate of uncertainty, the Central Bank reviewed the performance of weak finance companies and made prudent decisions to cease or limit their business operations. These measures safeguarded depositors and ensured the stability of the financial sector.

Non-performing loans of the LFCs and SLCs sector



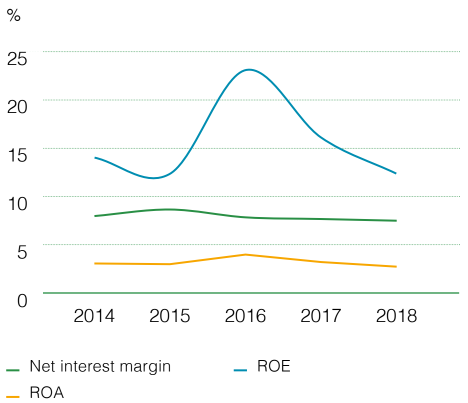
Source: Central Bank of Sri Lanka – Annual Report 2018

Capital position of LFCs and SLCs sector



Source: Central Bank of Sri Lanka

Profitability indicators of the LFCs and SLCs sector



Source: Central Bank of Sri Lanka – Annual Report 2018

Your Company during the financial year

Your Company made steady progress in business volumes throughout the financial year. However, the dampening conditions and the various regulations imposed that affected the NBFI sector adversely impacted the profitability of your Company. Profit after tax for the year decreased to LKR 951 Mn. from LKR 1,005 Mn. in 2017/18. This was primarily as a result of the increase in the impairment charge on loans and receivables due to deterioration in overall asset quality, the adoption of SLFRS 9 and the impact of the Debt Repayment Levy imposed with effect from October 2018. Gross and net NPL ratios increased from 2.28% and 0.71% as at 31 March 2018 to 4.93% and 1.85% as at 31 March 2019, although they remained much lower than the industry average. Capital adequacy ratios too were maintained well above the industry averages at 14.46% for Tier 1 and 15.49% for total capital respectively.

Early this year, your Company also managed to secure USD 15 Mn. from the International Finance Corporation (IFC). Although it was a foreign borrowing, the loan was raised in Rupees and the Company had no forex risk. This arrangement not only provided a low cost funding stream for the entity but has also created better funding opportunities as it is being associated with global institutions such as the IFC. This loan also enabled your Company to increase its lending to women and women-owned small and medium enterprises, thereby enriching their lives.

Furthermore, during the year the Company increased its deposit base by 5.28%, an anticipated growth despite the turbulent condition in the NBFI sector. Your Company also opened five new branches in locations around the country; namely in Kahawatta, Angoda, Kalawana, Padukka, and Fort. Technology and skilled human capital were also further developed for the benefit of Senkadagala Finance's growing customer base.

A KPI comparison with the industry averages

KPI	Senkadagala Finance %	Industry %
Growth of total assets	1.88	5.6
Growth of deposits	5.28	4.4
Net interest margin	9.70	7.4
ROA	2.61	2.7
ROE	18.41	12.1
Gross NPA	4.93	7.7
Net NPA	1.85	2.4
Provision cover ratio	62.38	57
Core capital ratio (minimum requirement 6%)	14.46	9.9
Total capital ratio (minimum requirement 10%)	15.49	11.2
Regulatory liquid assets to external funds	14.81	9.6

Our Strategic Focus: Building Value

We place tremendous value on relationships – ones that we have nurtured throughout five decades. Today, we contemplate on the facets that contribute to our success and have crafted our strategy accordingly.

The relationships we have sustained and those that we hope to create are the focal points of our strategy. By seeking to deliver value to our stakeholders, we secure our position in the industry and ensure success in the short, medium, and long term.

Strategic objectives for 2019

The target of establishing 100 outlets was achieved with the inauguration of the one located in Fort. Branch expansion will be slowed down and growth sustained through the existing branches.

Gain access to better institutional credit and low cost customer deposits to improve the cost efficient funding base.

Ensure customer satisfaction, thereby expanding the trusted customer base.

Provide employees with diverse opportunities to ensure career growth.

SWOT analysis

Augmenting strengths

We have been able to sustain and expand our strengths over the past five decades. Our proven credit control mechanisms with a high asset quality and healthy capital adequacy ratios have ensured the loyalty of 39% of deposit customers for over five years. The ability to maintain the gross NPL ratio at 4.93% much lower than the industry average has also created conducive conditions for repeat lending customers – primarily business owners – to further grow their businesses. Our strategically located network of 100 branches and service centres along with the skilled and well-trained human capital that fortifies the network help deliver an enhanced level of service to customers. We have also been able to secure steady funding flows at reasonable costs despite the market volatility and low liquidity levels. Moreover, our popularity among niche customer segments proved useful in further strengthening lending to women and women-owned enterprises during the year.

Overcoming weaknesses

As our enterprise focused on expansion over the past few years, profitability dropped while a majority of the newly opened branches are yet to break-even. However, the repercussions of rapid expansion were minimised as only five branches were opened during the course of the current financial year while strict cost controls were maintained throughout the process. Since emphasis is usually placed on traditional products, we also focused on promoting new product lines such as savings, pawning, foreign currency operations, and insurance brokering activities. Moreover, we also developed credit evaluation methods to accommodate alternative collaterals for loans. Since we primarily relied on borrowing as a source of funding and mainly concentrate on vehicle financing, we also restructured the deposit pricing mechanism to attract new deposit segments while also introducing 15-month and 18-month fixed deposits to enable competitive pricing.

Leveraging opportunities

Due to the strong capital position and unblemished track record of your Company, we were able to attract a higher number of new customers. We also increased the deposit base by 5.28% despite strong price competition in the market. Having observed the increased appetite for foreign investors in the NBFI sector and the growth in the tourism industry, your Company continued to explore opportunities to tap into foreign funding lines while securing USD 15 Mn. equivalent funding in early 2018 from the IFC. Technological developments and the higher use of ICT in businesses also encouraged your Company to improve its offerings and services.

Managing threats

Despite the volatile global economic conditions and political instabilities in the local front, your Company was able to maintain a stable growth trajectory throughout the financial year. The failsafe credit controls of the Company limited the defaults, recording a gross NPL of 4.93% much lower than the industry average while also maintaining capital ratios that are above average despite stringent regulatory requirement arising from the new capital adequacy framework and the introduction of SLFRS 9. Moreover, an increasing number of competitors in the sector also provided more opportunities for a trained and skilled work force. In order to combat these threats, product differentiation and niche markets were explored to avoid price competitions while internal career progression opportunities were provided to skilled staff to control staff turnover.

Stakeholder Engagement

Identification

The relationships we have built with our diverse stakeholders have always played a decisive role in the growth of the Company. For over five decades, we have delivered value to our stakeholders and thereby grown sustainably from the value derived from them. Our value proposition is thus suited to provide stability for the Company.

Stakeholder	Impact of the stakeholder	Influence of Stakeholder on SFPLC	Influence of SFPLC on the stakeholders
Shareholders and other investors	Shareholders and other investors remain key stakeholders of the Company as they have invested capital/provided funding for the Company. In addition to providing information on various covenants, information on Company performance, and corporate governance is provided on a periodic basis.	High	High
Customers	The customers play a vital role in the success of Senkadagala Finance PLC's business. The Company provides financial support to the customers while customer retention, sustained business, and growth are key determinants of the profitability of the Company.	High	High
Employees	Employees are deemed as one of the key stakeholders of the Company. Their careers grow hand-in-hand with the progress of the Company.	High	High
Suppliers and business partners	Suppliers and business partners have become increasingly important to SFPLC with the expansion of the branch network and the increasing requirement to maintain healthy business relations.	Medium	High
Government and regulatory authorities	As a listed finance company and a holder of public deposits, various regulators govern the Company while paying attention to the safety, soundness, and compliance status of the Company.	High	Medium
Society and environment	As a corporate citizen, the Company affects the environment and the society at large. The external environment in turn influences the operations of the Company.	Medium	Low

We are sensitive to the concerns of each of our stakeholder groups and accordingly provide space and time to facilitate stakeholder engagement.

Stakeholder	**Engagement activity**	**Frequency**	**Areas of concern**	**How concerns were addressed**
Shareholders and other investors	Annual general meetings	Annually	Financial performance, governance, transparency, and other disclosures	A constructive dialogue is maintained among the management and the shareholders during the AGM. Concerns are addressed immediately.
	Annual reports	Annually	Financial performance, governance, transparency, and other disclosures	Comprehensive disclosures that satisfy the information needs of investors are provided in the annual report.
	Extraordinary general meetings	As required	Governance, transparency and, other disclosures	
	Interim Financial Statements, investor presentations	Quarterly	Financial performance and shareholder communication	A detailed analysis of Company performance is included in the report to cater to investor requirements.
	Press conferences and releases	As required	Business expansion, strategies, and transparency	
	Announcements to Colombo Stock Exchange	As required	Investor relations, financial information, transparency, and customer services	
	One-to-one discussions	As required	Financial inclusion and risk management	
	Corporate website	Continuous	Sustainable growth	The corporate website was re-launched with a user-friendly interface and advanced features.
Customers	Touch points	Continuous	Financial inclusion	SFPLC provides a wide array of services to meet customer requirements. A speedy service is offered with the help of the Company's ICT system.
	Town storming, leaflet campaigns, street promotions, and, displaying banners	As required	Customer service, financial inclusion, affordability of services, and convenience	Inform customers of new products and services.

Stakeholder	Engagement activity	Frequency	Areas of concern	How concerns were addressed
	Relationship managers	As required	Service quality, customer satisfaction, and information security	The pricing and repayment are tailored to the income and repayment capacity of individual customers.
	Media advertisements	As required	Affordability of services and convenience	
	Corporate website	Continuous	Customer service, financial inclusion, affordability of services, convenience, and dispute resolution	Detailed information of the products and latest developments in the Company are continuously updated.
	Customer workshops	As required	Financial education and literacy	
Employees	Executive meetings	Quarterly	Performance management and business developments	Active dialogue among the management on new business developments, macro-economic changes, and other areas of concern.
	Managers' conference	As required	Performance, management appraisals, business developments, and other risk-related issues	Frequent communiqué on performance evaluation mechanisms and business developments.
	Regional review meetings	Quarterly	Local business developments and regional performance	The MIS is developed to provide detailed analysis of performance on a continuous basis.
	Memorandums	As required	Inclusion	Updates on the latest developments in processes, policies, and procedures.
	Emails	As required	Recruitment, retention, and attrition	
	Training programmes	As required	Value-driven corporate culture	Training and education of employees.
	Special events for staff engagement	As required	Diversity and inclusion, future plans, and career progression	
	Open door policy	Continuous	Career progression, performance management, and grievances	
	Operational guidelines	Continuously	Business know-how	A system help-desk was set up to address employee concerns regarding the new system upgrades.

Stakeholder	Engagement activity	Frequency	Areas of concern	How concerns were addressed
	Code of conduct	Continuously	Best practices and business value creation	
	Performance evaluations	On-going	Performance management	
Suppliers and business partners	Supplier relationship management	As required	Contractual performance and on-going business development	An on-going dialogue with key banks and major suppliers to update them on periodic performance and identify optimal funding sources.
	On-site visits and meetings	As required	Responsible sourcing and future business opportunities	
Government and regulatory authorities	On-site and off-site surveillance	As required	Compliance with regulations, directives, and codes	SFPLC ensures timely submission of periodic financial returns
	Directives and circulars	As required	Corporate governance, expansion, business conduct and compliance.	A compliance process is in place to ensure adherence to all directives and it is ensured that circulars are acted upon within the stipulated time frame.
	Meetings and consultations	As required	Compliance	
	Press releases	As required	Business trends and financial inclusion	
	Periodic returns	As specified	Financial performance	
Society and environment	Delivery channels	Continuous	Responsible financing, ethical behaviour and business conduct	The Company continued to expand its reach by opening five new branches across the island.
	Press releases, conferences and media briefings	As required	Community investments	
	Informal briefings and communications	As required	Financial inclusion	
	Public events	As required	Recruitment	
	Call centre and information centre	Continuous	Information pertaining to products and environmental impact	Grievances and concerns are directed to the relevant officer for immediate remedial action.
	Corporate website	Continuous	Environmental performance	The latest developments within the Company are regularly updated on the corporate website.

Materiality

The process of deciding aspects that are material to the operations and strategy of the Company requires the consideration of economic, environmental and social concerns. An aspect is considered material if it substantively affects the Company's ability to create value over short, medium and long term. The selection of these aspects is based on the Company's operations and engagement with primary stakeholders such as shareholders, business partners, customers, employees, and the community.

Aspects Material to Senkadagala Finance PLC

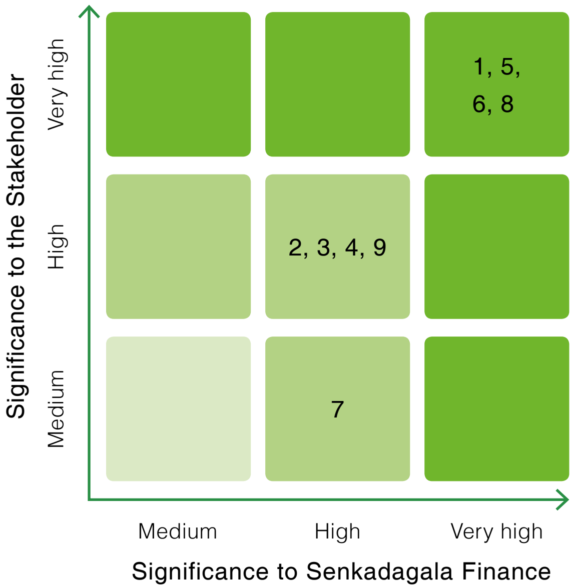
Aspect	GRI Disclosure	Significance	
		To SFPLC	To stakeholder
1. Economic performance	201-1 201-3	V	V
2. Anti-corruption	205-1	H	H
3. Environmental compliance	307-1	H	H
4. Employment	401-1 401-2 401-3	H	H
5. Training and education	404-1 404-2 404-3	V	V
6. Diversity and equal opportunity	405-1	V	V
7. Local communities	413-1	H	M
8. Customer privacy	418-1	V	V
9. Socio economic compliance	419-1	H	H

V – Very high

H – High

M – Moderate

Materiality matrix



Management approach

While planning the constituents of its strategy, your Company also manages its material aspects. Thereafter, the line managers and department heads are assigned the task of achieving certain objectives. Required resources are also allocated to these managers while key performance objectives and tolerance limits are set to align the outcome with the corporate strategic direction. During the process of handling material concerns, policies, and procedures, internal controls are put in place to ensure individual conduct is responsible, transparent, and ethical. Such procedures are also regularly reviewed by the Management to incorporate the requirements of the changing environment. Senior Managers address and resolve grievances as they arise and are brought to their attention through grievance procedures and information lines. Moreover, continuous environmental screening ensures that your Company is well aware of changes in its material conditions, as they arise.

The external assurance processes is conducted with co-sources of Messrs Ernst & Young advisory services. This also ensures that internal control processes are effectively handled. Moreover, the annual external audit also helps ascertain the materiality of impact on financial performance in great detail. The Company is rated by Fitch Ratings Lanka Limited and was re-affirmed BBB+(lka) in July 2018. Page 22, the messages from the Chairman and the MD/CEO and the section on Value Creation and Capital Formation detail the strategic initiatives undertaken by the Company during the year.

Care

The "shape" of our business reflects our desire to always be relevant and empathetic towards the customer

30

Value Creation and Capital Formation

Financial Capital

Review of financial performance

An overview of the year

The Company recorded LKR 951 Mn. in profit after tax with a drop of 5.38%, hampered by the many challenges posed by the operating environment, volatile and rising interest rates, depreciating domestic currency, hefty tax burden imposed on the industry and the increase in impairment allowance due to changes in applicable accounting standards.

Total assets experienced only a marginal growth of 1.88% during the year. However, the loans and advances portfolio recorded a year on year growth of 4.56% despite the slowdown of the sector driven by stringent fiscal policies and macro-prudential policy measures taken to curtail imports which affected the growth of the sector.

Despite the increasing trend in market interest rates, the Company managed to record a Net Interest Margin of 9.7%, slightly lower than the 9.9% recorded the year before. Meticulous funding strategies adopted throughout and the ability to tap in to low cost funding sources overseas enabled the Company to achieve this despite the dampening local market conditions.

Senkadagala Finance managed to extend its branch network to 59 which together with the 41 service centres increased the total outlets to 100, as targeted at the onset of the year. Since incorporation in December 1968, the Company has experienced a steady and sustainable growth, strengthening valued partnerships with all stakeholders in the process.

Summary of financial performance for the year

Financial results	2019 LKR '000	2018 LKR '000	Change %
Total assets	**36,783,063**	36,103,819	1.88
Loans and advances	**29,069,749**	27,801,785	4.56
Customer deposits	**10,008,976**	9,507,134	5.28
Total equity	**5,297,041**	5,031,486	5.28
Total income	**7,295,881**	6,770,330	7.76
PBT	**929,284**	1,357,416	(31.54)
PAT	**950,604**	1,004,671	(5.38)

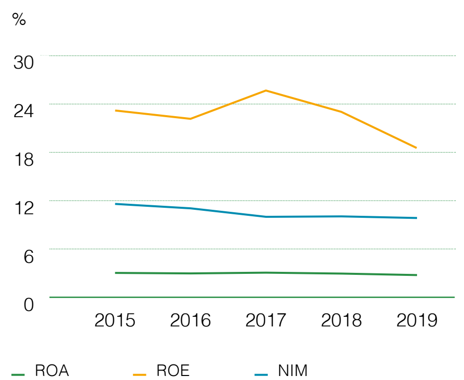
Financial performance in detail

Profitability

During the year, the Company generated a profit after tax of LKR 951 Mn., a drop of 5.38% from LKR 1,004 Mn. reported in the previous year. Profit before tax too decreased to LKR 929 Mn. as opposed to LKR 1,357 Mn. of the year before. The drop in profits was primarily caused by the increase in impairment charges and the heavy tax burden.

In line with the declining profits, profitability in terms of both Return on Assets (ROA) and Return on Equity (ROE) too decreased to 2.61% and 18.41% respectively from 3.00% and 23.11% of the previous year. The impact of the macro economic factors on the sector was evident from the moderation of industry average ROA and ROE to 2.7% and 12.1% respectively from 3.2% and 16.1% of the previous year.

Profitability indicators of the Company



A key contributory factor for the drop in profits over the year was the increase in the impairment charge by LKR 389 Mn. consequent to adoption of SLFRS 9. This is despite the various prudent measures taken by the management to maintain the profitability in view of the deteriorating asset quality.

The Consolidated profits for the Group also depicted similar trends. The Group post-tax profit was LKR 886 Mn., a drop of 11.6% from the previous year. The pre-tax profit of LKR 914 Mn. reflected a drop of 35%. The contribution from the subsidiaries continues to be marginal compared to the profit of the Company. However, the Insurance brokering arm generated LKR 92 Mn. post tax profit which was also a drop of 8% from LKR 101 Mn. of the financial year 2018.

Net interest income

Adverse macroeconomic trends together with falling liquidity in the market pushed the market interest rates up. However, the Company managed to record a commendable growth in its net interest income. The net interest income for the year grew by 5.7% to Rs. 3,236 million from LKR 3,062 Mn. of the year before which was commensurate with the growth in the underlying business volumes.

Interest income reached LKR 6,996 Mn. with a growth of 8.09% from LKR 6,472 Mn. of 2018. Interest income from finance leases contributed LKR 580 Mn. to the year on year growth of total interest income. Earnings from commercial loans decreased due to set backs in recoveries and deterioration in asset quality. As in the previous year, income from pawning advances depicted a notable year on year growth of 39.6%. Pawning is a relatively new product for the Company, with the growth experienced in such income streams signalling greater prospects in the years to come.

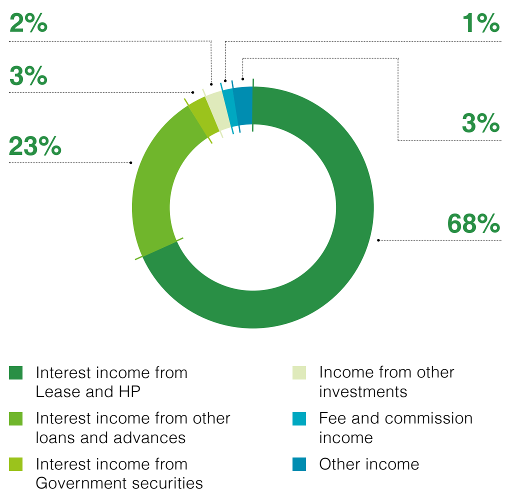
Volatility of economic conditions and market interest rates were evident throughout the year. Shifts in the funding mix also prompted changes in the composition of interest expenses. During the year, the total interest expenses increased to LKR 3,759 Mn. compared to LKR 3,410 Mn. in 2017/18, an increase of 10.2%. Interest on bank and other securitised borrowings continued to be a key element of this expense category with the latter experiencing a year on year increase of 58.15% to reach LKR 1.1 Bn. Interest on debt instruments decreased by 14.5%, driven by the redemption of several debt issues consequent to maturity.

Income

The total income of the Company increased to LKR 7,296 Mn., a growth of 7.8% compared to LKR 6,770 Mn. of the previous year. The fund-based income remained the key contributing factor to the notable growth. Other income categories showed a marginal growth of 0.7% only. With the slowdown of new business during the year, the fee and commission based income increased only by 4.1% to reach LKR 104 Mn. compared to LKR 100 Mn. of the year before.

Due to lackluster performance of the equity market, gains from equity trading recorded a drop of LKR 4.9 Mn. Mark to market of traded equity instruments recorded a loss of LKR 22 Mn. as opposed to the gain of LKR 2 Mn. of the year before. Other operating income for the Company recorded only a minimal growth of 2.6% as a result of undertaking the investment property held under Newest Capital Ltd.

Sources of income

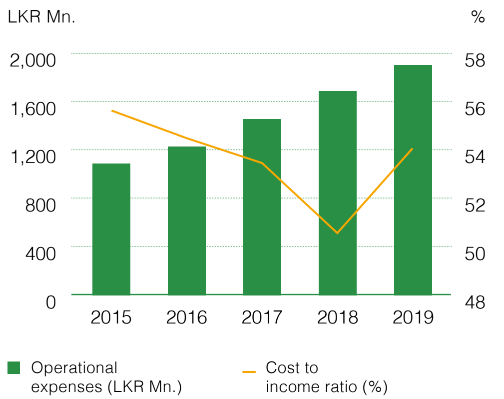


Expenses

Operational expenses of the Company increased in line with the increased level of operations. The Company opened its doors in five new locations during the year. Consequent increase in the number of staff coupled with salary increments and incentives increased the personnel expenses by 12.9% to reach LKR 701 Mn. compared to LKR 621 Mn. of the previous year. Other expenses also increased during the year, especially driven by establishment expenses and administrative expenses to accommodate the new branches in operation.

The cost to income ratio of the Company increased to 54.1% compared to 50.5% of the previous year, due to slow down in new business volumes leading to growth in expenses outpacing growth in income. New branches, those opened during the year under review in particular, are yet to break even. Now that the Company will slow down on expanding its footprint, due attention will be given to make newly opened branches profitable and also enhance operational efficiency.

Operational efficiency



Taxation

As a good corporate citizen, the Company upholds its responsibilities as a tax payer. While meeting all its tax obligations on a timely and prudent manner, the Company strategises to mitigate any adverse, unexpected financial losses by managing its operations and risk perspectives in line with applicable tax regulations. However, various tax regulations brought in from time to time affect the profitability of the Company in an uncontrollable manner.

Taxes consist of direct taxes such as income tax, value added tax on financial services, NBT, debt repayment levy, crop insurance levy and economic service charge as well as indirect taxes which are collected from our customers and remitted to the relevant authorities. During the year, the Company recorded an income tax reversal of LKR 21 Mn., comprising tax payable of LKR 381 Mn. and deferred tax reversal of LKR 402 Mn., compared to the tax charge of LKR 353 Mn. of the previous year. The reversal of deferred tax arose due to changes in applicable regulations.

The value added tax and NBT on financial services also decreased in line with the drop in profits by 16.2% and 30.1% respectively. However, the introduction of debt repayment levy in October 2018 increased the taxes on financial services by LKR 45.5 Mn. for the year ended 31 March 2019.

Assets

Total assets of the Company increased marginally to LKR 36,783 Mn. compared to LKR 36,104 Mn. of the previous year. The growth was primarily driven by the growth in loans and advances which experienced a year on year increase of 4.6%.

Assets	2019 LKR '000	2018 LKR '000	Change %
Cash and near cash items	**2,071,801**	1,353,293	53.09
Government securities	**2,559,948**	3,867,143	(33.80)
Loans and advances	**29,069,749**	27,801,785	4.56
Investments	**502,498**	520,486	(3.46)
Other assets	**2,579,067**	2,561,112	0.70
Total	**36,783,063**	36,103,820	1.88

Reflecting the investments in branch network expansion and other system developments, property, plant and equipment grew by 39.8% year on year. The Company continued to maintain healthy liquid assets throughout the year, with the cash and cash equivalents increasing by 53.1%. Investments in Government securities witnessed a drop of LKR 1.3 Bn. at the end of the year, as steps were taken to invest excess liquid assets in higher yielding deposits with banks, which is reflected in the increase in aforementioned cash and near cash items.

Liquid assets and cash flows

Senkadagala Finance primarily depends on large scale funding for its business needs, compelling it to maintain relatively high levels of liquid assets. However, the Management has devised mechanisms to realise a higher return by investing such excess liquidity strategically. Timely collections coupled with slowdown in operations led the Company to generate LKR 617 Mn. cash from operating activities as opposed to LKR 1,022 Mn. used in such activities in the previous year.

Similar to the last year, the Company commissioned only five new branches during the year. However, investments in property to the value of LKR 489 Mn. increased the capital expenditure by LKR 573 Mn. to reach LKR 932 Mn. against LKR 358 Mn. for the previous year. Consequently, the total cash used in investing activities increased to LKR 734 Mn.

As mentioned above, the slowdown in operations made high cash generation through financing activities unwarranted. Accordingly, cash from net bank and other borrowings stood at LKR 1,978 Mn. for the year. The Company redeemed LKR 1,647 Mn. worth of debentures on maturity, including the subordinated debentures of LKR 1,250 Mn. during the year. The generation of funds via financing activities was only LKR 103 Mn. compared to LKR 1,440 Mn. of the year before, a drop of 93%.

The Company held LKR 4,632 Mn. in cash and other liquid assets, including investments in Government securities, at the end of the year, a drop of 11% compared to LKR 5,220 Mn. of the previous year. Nonetheless, the Company maintained liquid assets well above the regulatory and working capital requirement to safeguard against the volatile conditions that prevailed during the year. Such additional liquid assets were invested in commercial banks and other short-term investments to maximise the return during the year.

Loans and advances

Loan type	2019 LKR '000	2018 LKR '000	Change %
Finance leases and hire purchase	**25,916,967**	24,049,705	7.76
Commercial loans and personal loans	**1,673,561**	2,258,576	(25.90)
Pawning advances	**1,196,463**	993,680	20.41
Other advances	**282,758**	499,824	(43.43)
Total	**29,069,749**	27,801,785	4.56

The total loans and advances grew by 4.6% over the year reaching LKR 29,070 Mn. against LKR 27,802 Mn. of the previous year. This lackluster growth was due to slowdown of new business growth during the year due to macroeconomic volatility.

The primary loan product, finance leases achieved a growth of 10.7% reaching LKR 26,649 Mn. gross of impairment. During the year, LKR 13 Bn. was granted in new finance leases, with the average loan to value (LTV) of such loans amounting to 62.72%. The Company primarily finances registered vehicles; hence Senkadagala Finance managed to withstand the crippling effects of the stringent LTV ratios imposed by the regulators in the past.

The commercial and personal loans experienced a notable slowdown during the year, primarily due to the general economic downturn, high interest rates that prevailed and the poor asset quality of the product categories. Pawning, the latest addition to the loan portfolio of the Company recorded a growth of 20.4% to reach LKR 1,196 Mn. over LKR 994 Mn. of the previous year. The Company promotes pawning business, with stringent LTV ratios to safeguard against any price fluctuations in the immediate future.

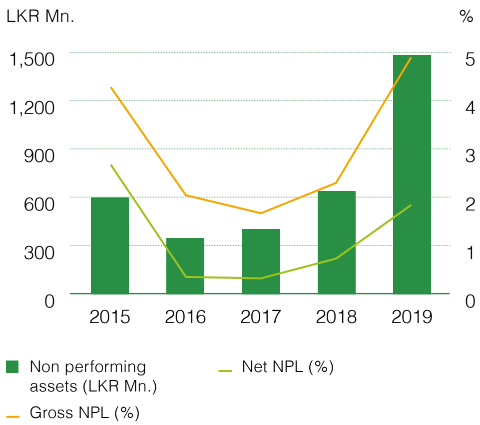
Asset quality

Since inception, the Management places the highest emphasis on maintaining the quality of the loan portfolio as this is considered a key aspect in achieving sustainable business growth. With continuous upgrade of credit appraisal systems, policies and procedures, the Company has managed to maintain one of the lowest NPA ratios in the industry.

During the year, due to instability and general downturn of the economic conditions, the asset quality of the entire industry witnessed deterioration. The industry ratios increased to 7.7% from 5.9% of the previous year. The Company's Gross NPL ratio, which is gross non-performing assets as a percentage of total advances, also increased to 4.93% compared to 2.28% of the previous year. The net NPL ratio followed a similar trend to reach 1.85% compared to 0.71% of the year before.

The Company adopted the SLFRS 9 – "Financial Instruments" during the financial year commencing 1 April 2018. The new standard replaced the Incurred Loss Model in LKAS 39 with forward looking Expected Loss Model which requires considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL) when providing for loan losses.

Non-performing loans of the Company



Senkadagala Finance has throughout maintained provisions at a level higher than the industry average. With the adoption of the new standard, total impairment provision for loans and advances increased by 169% to reach LKR 1,206 Mn. during the year compared to LKR 448 Mn. as at end of the previous year.

Liabilities

The total liabilities of the Company recorded a marginal growth of 1.33% to LKR 31,486 Mn. compared to LKR 31,072 Mn. of 2018. Mid to long-term securitised loans accounted for LKR 8,718 Mn. compared to LKR 8,310 Mn. of the year before, a growth of 5%. Bank borrowings also increased by 28% to reach LKR 7,698 Mn. by the year end. The short termed commercial paper financing reduced by 20% and dropped to LKR 847 Mn., to better match the maturities of the asset base of the Company. The volatile market conditions that prevailed throughout the year prompted the move-away from short-term funding avenues to ensure stability in the long run.

In March 2018, the Company entered into a second loan agreement with the International Finance Corporation (IFC), for USD 15 Mn. equivalent in Rupees. The fund flow at the beginning of the year augmented the liquid assets as at 1 April 2018. However, the Rupee denominated disbursement eliminated any stress on the balance sheet due to the adverse movements in exchange rates in the ensuing year.

During the year, the Company redeemed LKR 397 Mn. worth of senior listed debenture and a subordinated listed debenture to the value of LKR 1,250 Mn. This caused a 37.9% drop in debt securities issued to LKR 2,732 Mn. by the end of the year.

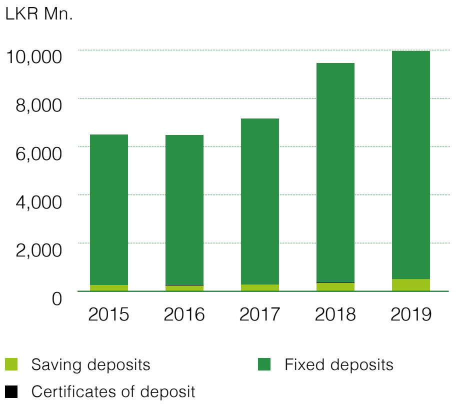
The Board of Directors has proposed to issue a fresh subordinated listed debenture to the value of LKR 1,500 Mn. with an option to issue a further LKR 250 Mn. at the discretion of the Company in the event of over subscription of the initial issue. This is expected to improve the total capital ratio going forward.

Deposits from customers

Deposits from customers consisting of fixed deposits, certificates of deposit and savings deposits surpassed the LKR 10 Bn. mark during the financial year. Totaling LKR 10,009 Mn. as at end March 2019, the deposit base recorded a 5.3% growth from LKR 9,507 Mn. of the previous year. During the financial year, yet another mismanaged NBFI was declared as distressed sending ripples across the industry deterring customers from depositing with NBFIs. The 5.3% growth achieved in this backdrop is evidence of the valued and trusted partnerships the Company has developed over the past five decades.

The fixed deposits and the savings deposits reached LKR 9,460 Mn. and LKR 540 Mn. with a growth of 3.8% and 41.4% respectively. Equipped with facilities equivalent to a bank deposit, our savings deposits provide customers many value added services together with a higher rate of return.

Deposit base of the Company



Shareholders' funds

Total shareholders' funds recorded a growth of 5.3% over the financial year to reach LKR 5,297 Mn. compared to the 37.4% growth recorded in the previous year. This was mainly due to the day 1 impact on adoption of SLFRS 9 which amounted to LKR 456 Mn. As mentioned earlier, the Board has proposed to issue a subordinated debenture to buffer the impact on the total capital ratio.

In compliance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred LKR 50 Mn. out of profits for the year to the Statutory Reserve Fund, resulting in a growth of the fund by 13.7% to reach LKR 415 Mn. by 31 March 2019.

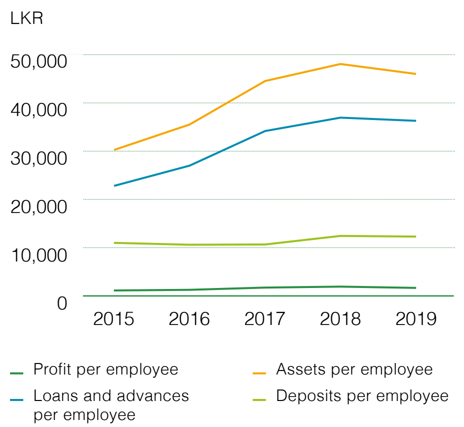
Retained earnings recorded a growth of 7.1% to LKR 3,290 Mn. while the available for sale reserve was reclassified in line with the changes in the underlying accounting standards. A fair value reserve was created instead, to recognise changes in fair value of investments in equity at fair value through other comprehensive income.

During the financial year, the CBSL issued the Direction (Capital Adequacy Requirement) No. 3 of 2018, introducing a new capital adequacy framework with higher risk sensitivity, covering credit risk as well as operational risk. The effects of the new direction coupled with the impact on adoption of SLFRS 9 caused the capital adequacy ratios of the Company to decrease. Both core capital ratio and the total capital ratio decreased to 14.46% and 15.49% compared to 16.8% and 17.6% respectively of the previous year. The Management has already taken remedial action and is committed to maintain a healthy capital position to ensure stability and enable future business expansion.

Productivity

Productivity indicators of the Company moderated in line with the decline in profitability and performance during the year.

Employee productivity indicators



Group performance

Senkadagala Finance Group reported a post-tax profit of LKR 886 Mn. for the year under review compared to LKR 1,002 Mn. of the previous year, a drop of 11.6%. The Group recognised LKR 65 Mn. as an impairment loss on intangible assets, consequent to the cancellation of the specialised leasing company license of Newest Capital Ltd. The total assets recorded a growth of 1.6% to LKR 36,353 Mn. similar to that of the Company.

Senkadagala Insurance Brokers recorded a post-tax profit of LKR 92 Mn., with a drop of 8% from the previous year.

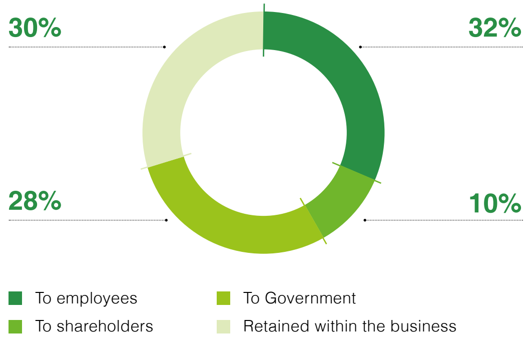
Senkadagala Finance acquired Newest Capital Ltd., under the consolidation of the finance sector program in 2014. In line with the said programme, the assets of Newest Capital are being absorbed in to Senkadagala Finance and the subsidiary is in the process of being wound-up.

Value creation and distribution

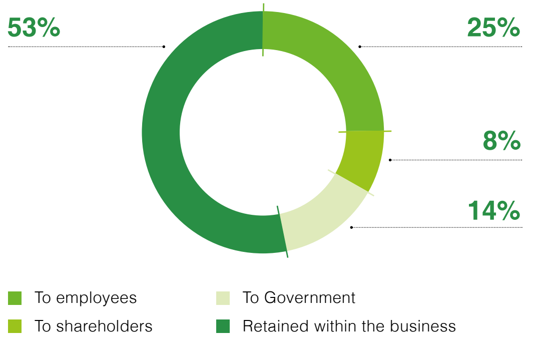
The Statement of Value Addition and Distribution provides an understanding of the financial benefits each stakeholder group receives due to business activities of the Company. Investors, shareholders, employees, and the Government are considered as key stakeholders for the purpose of this computation.

	2019 LKR '000	Share %	2018 LKR '000	Share %	Change %
Value added					
Gross income	**7,295,881**		6,770,330		8
Less					
Cost of borrowings	**(3,759,531)**		(3,410,064)		10
Payments towards support services	**(878,047)**		(771,849)		14
Provisions for loan losses	**(444,362)**		(55,510)		701
	2,213,941		2,532,907		(13)
Distribution of value addition					
To employees					
as salaries and wages	**480,089**	22	425,942	17	13
as other benefits	**215,286**	10	201,903	8	7
To shareholders as dividends	**228,296**	10	213,077	8	7
To Government					
as income taxation	**384,296**	17	95,639	4	302
as taxes on financial services	**249,987**	11	249,787	10	0
Retained within the business					
as depreciation for replenishment of assets	**333,296**	15	304,261	12	10
as deferred taxation	**(402,492)**	(18)	255,042	10	(258)
as reserves	**725,182**	33	787,256	31	(8)
	2,213,941		2,532,907		(13)

Distribution of value addition 2019



Distribution of value addition 2018



Institutional Capital

Over the past fifty years, your Company has been able to build a strong institutional capital base that has played a pivotal role in its growth. We have keenly observed how the external environment impacts the Company, the way staff turnover affects the continuity of operations, and the manner in which technology is becoming an enabler of effective operations and customer experience. Accordingly, we have sought processes to improve the quality of its institutional capital. This has given the Company a competitive edge and generates greater value for all its stakeholders.

Inspired by our brand identity that is synonymous with quality of service and well-being, we have introduced similar qualities to the corporate culture. Our employees have grown with the Company and are achieving new career heights parallel to its expansion. These developments within the Company have also inspired change in the Company's information and communication technology (ICT), supply chain, and procurement systems.

Our institutional capital is founded on rich partnerships and consists of institutionalised knowledge, systems and processes, brand equity, capability to innovate, and a corporate culture of ethics and integrity.

Instituted on relationships

The partnerships we have established over the years have infused and nourished the Company. These solid relationships with customers, employees, business partners, suppliers, and the society have played a critical role in influencing its institutional capital base. Whether it is the knowledge gathered, or the innovations created, our brand is deeply intertwined with celebrating rich relationships and partnerships.

Institutionalised knowledge

The systems, policies, and procedures we have developed over the years such as the documentation of processes, specialised training, job rotation etc., have helped us "institutionalise" Company knowledge and nurture a people-focused environment. This knowledge and competencies are shared within the Company and ensure the continuity of our operations when employees choose to leave the Company. Such knowledge transfer systems are becoming more relevant and important today and help minimise the related costs since we now experience higher staff turnover ratios than in the past, among millennials in particular. This has helped us build on experience, knowledge, and competencies over the years. It also helps the Company in its business continuity planning and succession planning as well, thereby enhancing organisational effectiveness.

Enhancing the brand

The Company's logo, the registered trademark of the Company is a depiction of a four-leaf clover – a symbol of good fortune. Inspirited by its corporate identity, the Company continues to create wealth, prosperity, and good fortune for its customers.

From its inception, the Company has also been vigilant about technological developments taking place in the industry. Thereby, its systems and processes have evolved in a timely manner. Today, the brand is closely associated with its pioneering and futuristic technological innovations.

Senkadagala Finance was the 1st financial institution in Sri Lanka to issue a contactless (Pay-wave) VISA debit card in October 2017.

Quality of service is another essential facet of the brand. Therefore, innovative-thinking is also demonstrated in the distribution of controls and operations. Accountability is promoted at all levels and has ensured that the Company exceeds industry expectations. The credit officer is accountable for appraisals and is involved in managing and recovering loans. During the financial year, these systems helped your Company foster customer relationships while maintaining one of the lowest non-performing loans (NPL) ratios in the industry. It also sustained and acquired a strong deposit base.

A sound corporate culture

Stemming from its brand identity, your Company also encourages both internal and external stakeholders to act ethically and conscientiously in their day-to-day operations. Professionalism is upheld which contributes towards the effective performance across all branches and centres.

Communication

Your Company encourages and has accordingly put in place systems that ensure open and free communication both internally and externally. Within the Company, channels of communication facilitate dialogue between superiors and subordinates. This has helped create a positive environment in which activities can be synergised to create maximum value.

Rewarding talent

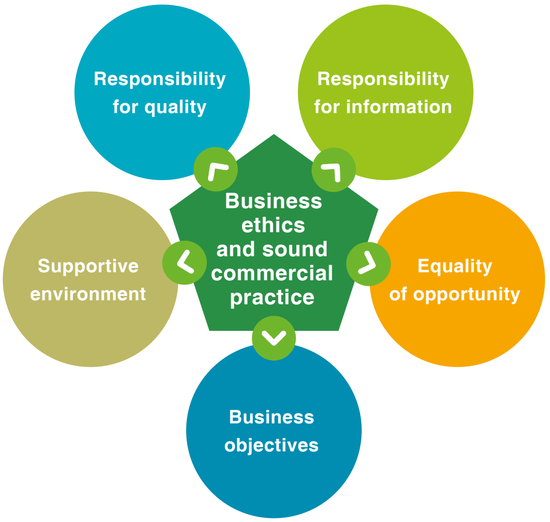
We are also keenly aware of the diverse talents that our staff members possess. Your Company makes sure that its employees keep pace with the growth of the Company. During 2018/19, we opened five branches and its staff members, particularly Managers were internally promoted. Since these employees are well versed in operations, processes, and customer handling, the functioning of these branches is carried out smoothly. This is a critical component of the value creation process of the Company.

Thriving teams and effective leadership

Many employees thrive in an environment that is driven by team work. The branches and centres are staffed with small numbers of employees, thereby creating opportunities for them to perfect the assigned tasks. Within teams, the more experienced team members provide guidance to juniors. Moreover, newly recruited staff members are trained with the technical know-how, systems, procedures, and customer handling techniques. Collective assessment techniques are also in place to ensure that healthy levels of competition exist among teams.

Cognisant of risks

All employees and particularly line managers are encouraged to be vigilant of risks that could emerge on a daily basis. Hence, identifying potential risks and seeking remedies are an ongoing process. A culture of open communication has made these processes more effective and always ensures that the customers' needs are at the heart of operations.



Tech – forward

Technological innovations have been at the forefront of your Company's operations. The ICT system which is internally built and continuously updated provides immense value to all stakeholders and has fortified the systems and processes of Senkadagala Finance PLC through the years.

Development of the system

At its infancy, the combination of tailored hardware and software operated from a simple PC-based network system. Owing to rapid technological developments and the timely decisions made by your Company, this system has evolved into a stable multi-user, client-server architecture which enables the smooth functioning of the core and other front office and back office operations. Presently, the system is capable of providing customer information and a wide range of data at the operational level providing much needed insights to support reporting and strategic decision-making. Moreover, the basic business functions are automated to minimise user interactions and reduce non-value adding expenditure.

Efficiency within departments

The ICT system is made use of at a department level. In order to ensure the effective use of the system, each department is provided with a manual that encapsulates methods for efficient use and ICT-related policies. The Company has also put in place an Information System Security Policy and a business continuity plan to ensure minimal business disruption.

At the department level, regardless of hierarchy, employees are given access to the system. They are then able to extract the necessary information to make effective decisions and execute various business functions. Your Company continuously updates its systems and processes to ensure that high levels of service standards are maintained, providing the required competitive edge essential in the industry.

Navigating risks

Your Company acknowledges that a system of this kind could encounter breaches of security and system failures. Hence, measures are constantly taken to minimise risks and safeguard information. Policies and practices that are taken to navigate risk are also constantly reviewed and more efficient practices adopted. These practices ensure the longevity of the system and in turn the business.

Latest updates

The following initiatives were taken during the year:

- The online banking platform was upgraded to enable greater usability coupled with advanced safety features.
- The online payment reimbursement system was introduced to permit online evaluation and approval of staff expense claims. This effort reduced both the use of paper and the lead-time from payment request to reimbursement.
- The system help desk was introduced to provide staff with online system support.
- The Company re-launched its corporate website enhancing its customer experience.

Supply chain and procurement policy

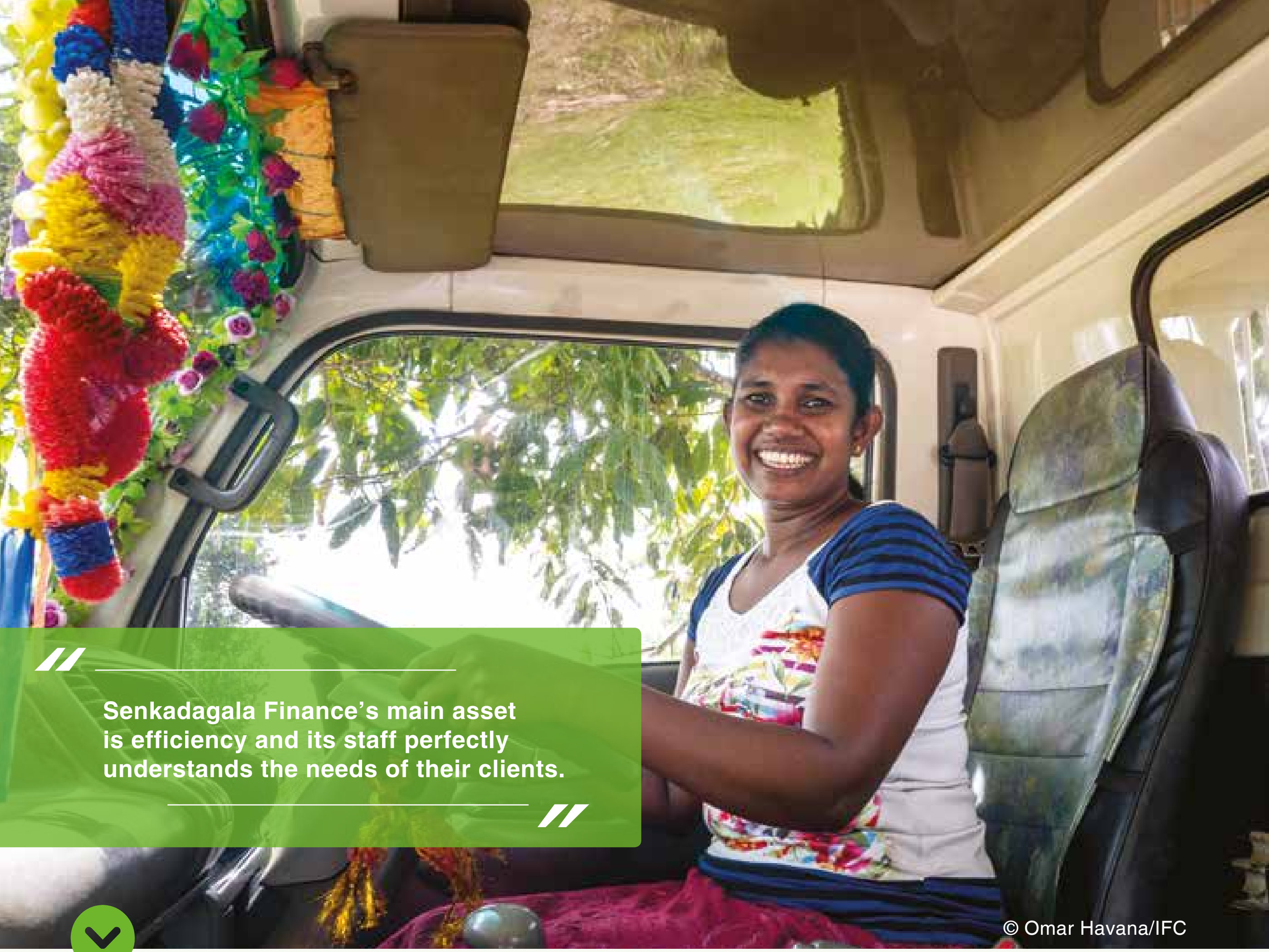
As your Company is a financial service provider, the dependence on suppliers is relatively minimal. However, as it has expanded rapidly over the past several years, supply chain management and a stable procurement policy have become vital aspects for the Company. Stationery, day-to-day consumables, maintenance-related equipment, and services are procured through a reliable supply chain.

The Administrative Department is in charge of sourcing and does so in accordance with the purchasing policies and procedures of the Company. A close relationship is maintained with the pool of suppliers to ensure that the quality of the goods is not compromised while ensuring that they are also delivered on time.

Your Company adopts a lean procurement process to minimise inventory holding. Each branch is stocked with a small amount of goods that will come into use within a short to medium time frame. When branches require new stocks, the administrative office is consulted which in turn informs the necessary suppliers. Your Company has also sourced the services of a courier company to deliver the goods to the relevant branches or centres.

In the construction process too, your Company relies on a selected pool of interior construction companies. When the location for a new branch is identified, the administrative department assigns a suitable interior construction company that understands the Company's aesthetic views and standards. This ensures that a consistent design is maintained throughout the branch network. A representative from the Administrative Department closely supervises the construction process to be assured of conformity with Company requirements and specifications.

These mutually beneficial relationships have created long-term valued partnerships and contributed towards the steady progress of Senkadagala Finance PLC.



Senkadagala Finance's main asset is efficiency and its staff perfectly understands the needs of their clients.

© Omar Havana/IFC

Name of the customer: Mrs Deepthi Kumari

Age: 36 years

Town/district: Thelijjawila, Matara

Nature of business: Manager and Partner of Gamage Constructions Company

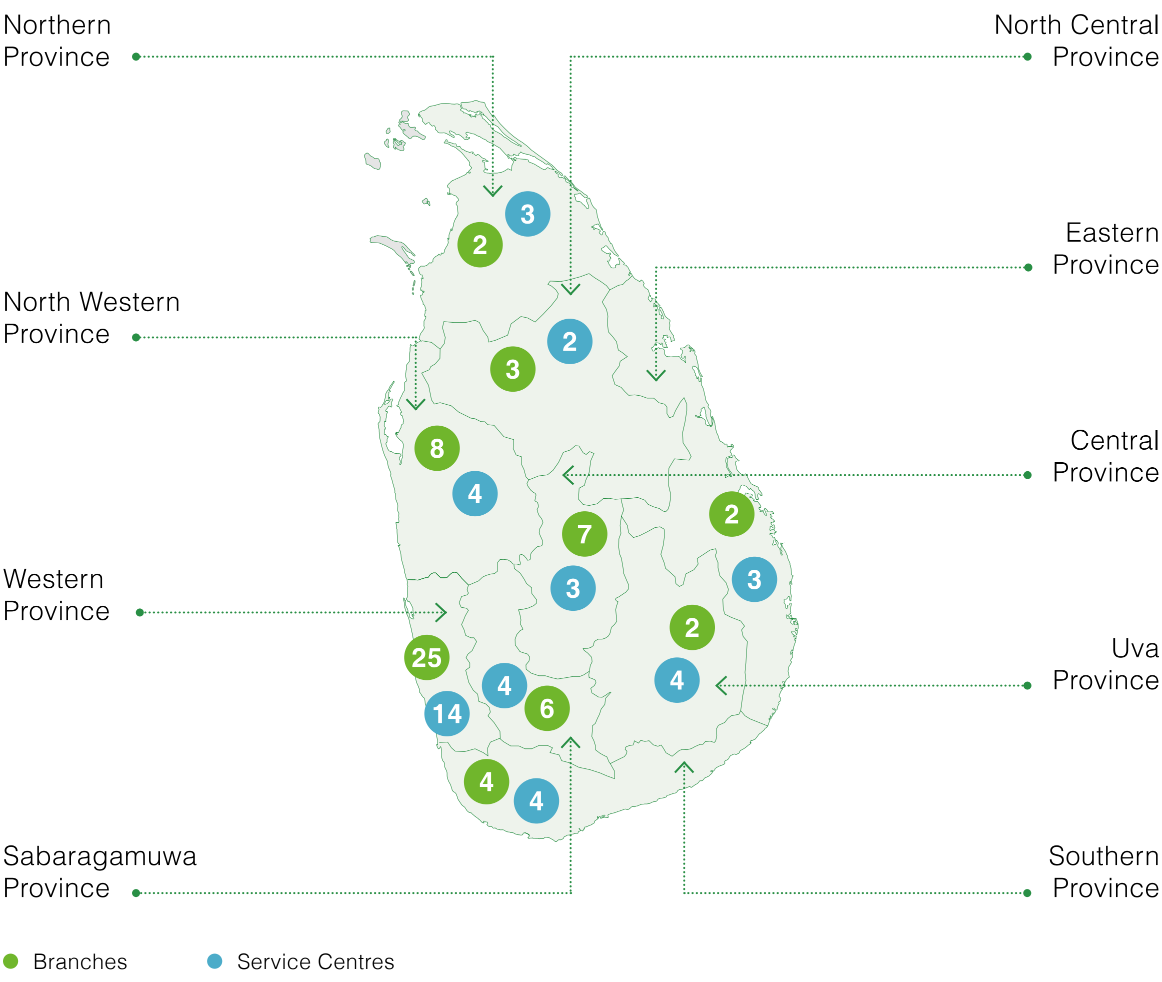
Period of relationship with our Company: Since 2013

Deepthi and her husband founded Gamage Constructions Company 11 years ago with an investment of LKR 150,000/- They required a lease of LKR 3.3 Mn. to purchase a lorry for their business. Senkadagala Finance PLC granted them a lease within 24 hours. We advised Deepthi on vehicle choice and aided her in vehicles inspection. Today, Deepthi manages over 30 construction projects a year, employing over 20 employees.

Customer Capital

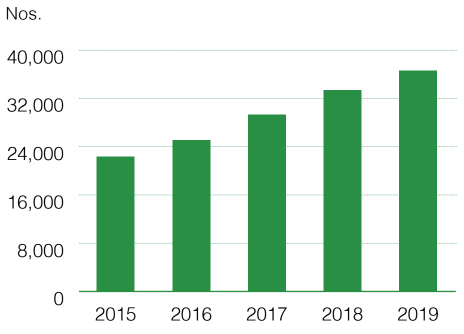
Customer plays a pivotal role in our core business activities of financial intermediation and maturity transformation. Over the years, your Company has been able to gain the trust and confidence of a loyal base of deposit and borrowing customers. This is as a result of understanding the customers and tailoring a portfolio of products and services that best meet their requirements. They primarily come from the SME sector and individual customers. We take great pride in these long-standing relationships that have sustained and motivated us to expand and grow and be innovative in our offerings. This growth mindset has helped us win new customers while maintaining a robust risk profile.

Geographic spread

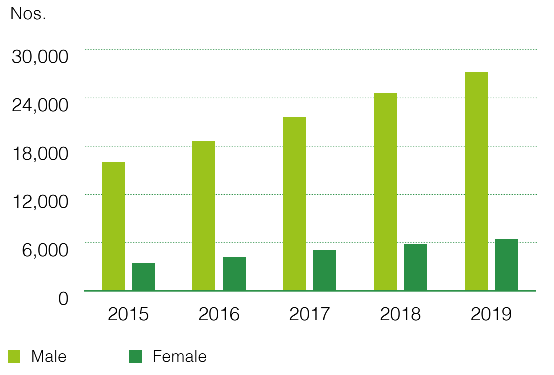


Customer capital highlights 2018/19

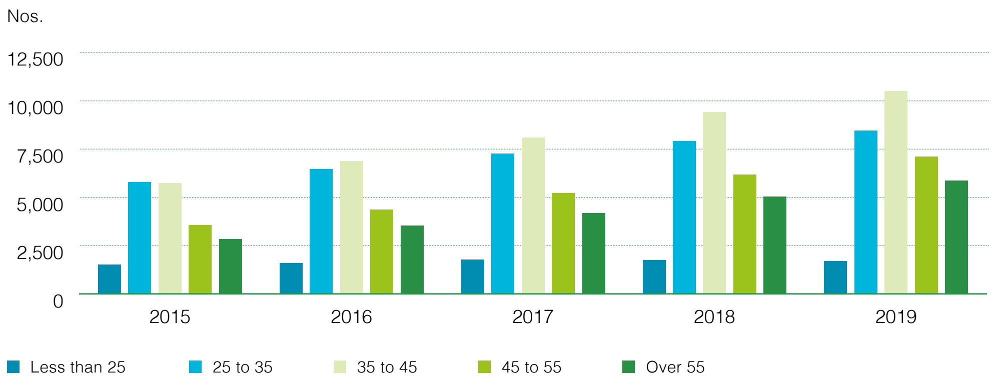
Growth of the total number of deposit accounts



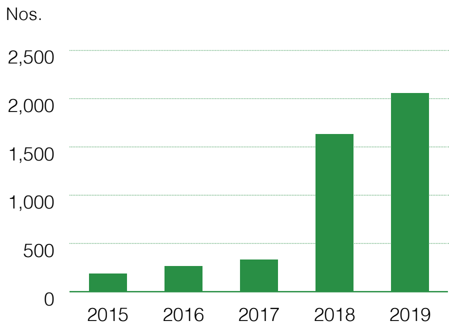
Analysis of retail deposit customer base on gender



Analysis of savings deposit base on age of customers



Digital banking customers



Our products and services portfolio

Lending products

Our lending products primarily include finance leases, hire purchases, commercial loans, personal loans, and pawning.

- Leasing is by far the most important lending product in our portfolio, accounting for over 88% of the total loans and advances as at 31 March 2019. As a secured form of lending which has a positive impact on the overall risk profile and impairment provisioning of the Company, leasing was paid renewed attention during the year. Localised promotion campaigns were carried out during the year to boost leasing during the year. As another secured lending product and also, given the positive impact on the capital adequacy, Company is planning to increase its pawning portfolio in a controlled manner.
- Loaned funds were rapidly disbursed with the help of various technological advancements. Customers who approach the Company with a track record of solid creditworthiness can obtain loaned funds for their commercial or personal needs within a period as short as one to two business days. This has proved to be a competitive advantage for your Company.
- Apart from lending products, other services on offer include foreign currency exchange, insurance brokering activities, and Western Union fund transfers. Through the insurance brokering arm of the Company, customers are able to get quotes for their insurance needs from almost all the leading insurance companies operating in Sri Lanka within minutes, which enables them to make judicious decisions while obtaining the service of their preferred insurance company.

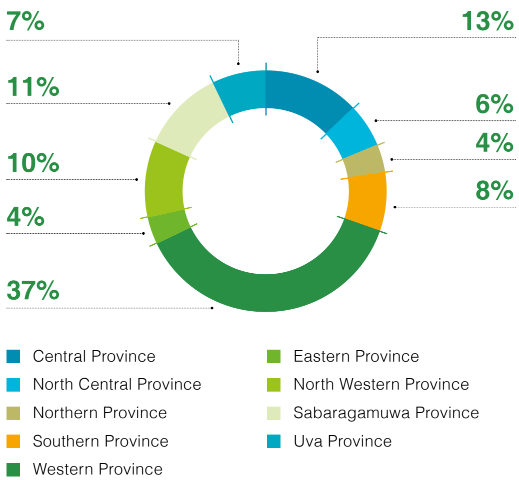
Loans and advances highlights

Around 30% of loans offered during the financial year were less than LKR 500,000 while 27% were between LKR 500,000 and LKR 1 Mn. While those who obtained loans are distributed throughout the island, there was a concentration of borrowers in the Colombo District which is proportionate to the concentration of economic activities therein.

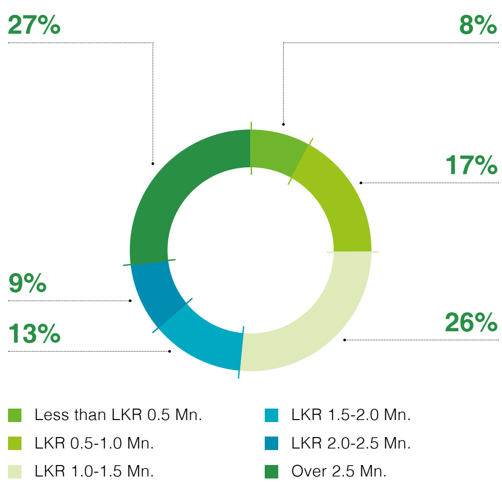
Gross loans and advances

As at 31 March	2019 LKR Mn.	2018 LKR Mn.	2017 LKR Mn.	2016 LKR Mn.	2015 LKR Mn.
Finance leases	**26,649**	24,077	20,193	14,138	8,351
Hire purchase	**97**	205	695	2,103	5,012
Commercial loans and personal loans	**1,908**	2,392	2,190	436	159
Pawning	**1,201**	994	548	180	102
Other advances	**422**	583	474	370	308

Geographical analysis of loans and advances



Loan portfolio analysed on size



Deposit products

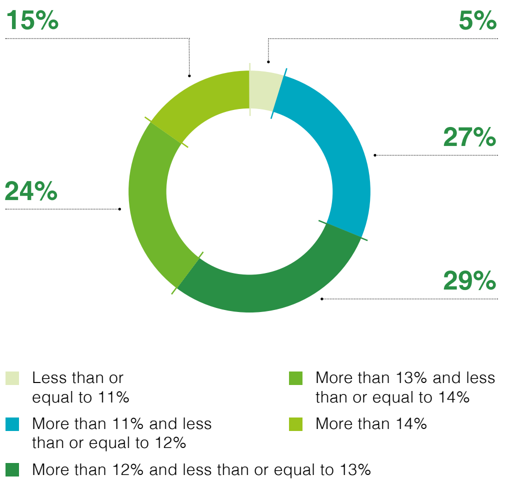
Our deposit products primarily include fixed deposits, savings deposits, and certificates of deposit.

- Fixed deposits is by far the most important deposit product accounting for 94.5% of the total deposit portfolio as at 31 March 2019. Several sub products have been created within the deposits portfolio to suit different customer groups such as senior citizens and minors. Attractive interest rates are offered for fixed deposit holders within the CBSL limits while fixed depositors have the option of handling their account transactions online through the Company's website. The website is a portal that enables handling balance inquiries, fund transfers, online real-time transfers, and bill payments. It also allows withdrawals and deposits to be made through the Company's savings accounts. As a sub product of fixed deposits, your Company has also in place loans granted against fixed deposits. This enables our customers to utilise funds in case of an emergency without compromising the potential to earn interest on the fixed deposits at maturity.
- Savings and certificates of deposit are provided as supplementaries for the deposit products. Many features such as state-of-the-art contactless visa debit cards with chip and pin security, online banking facilities such as real-time fund transfers, and payment of credit card and other utility bill expenses through the online portal are a few of the benefits that are made available to our customers.

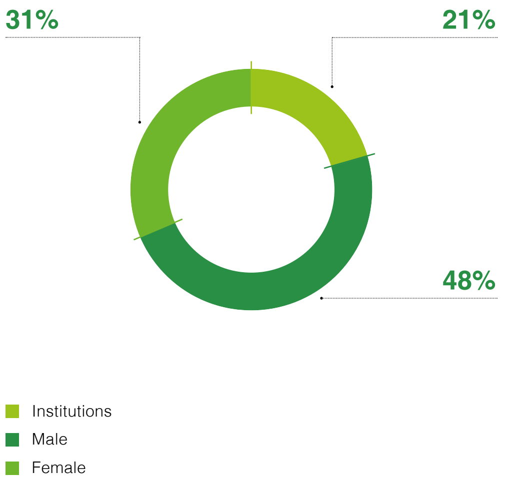
Deposit base highlights

The value of the deposit base grew moderately during the year while a majority of fixed deposits were placed for between one to two years. The interest rates offered on fixed deposits were between 10% and 14%. Overall, a majority of deposits were placed by customers in the Western Province while your Company was happy to note the growing number of female depositors.

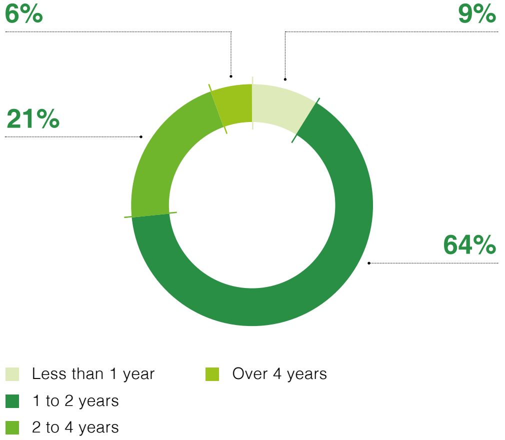
Analysis of fixed deposits based on interest rate



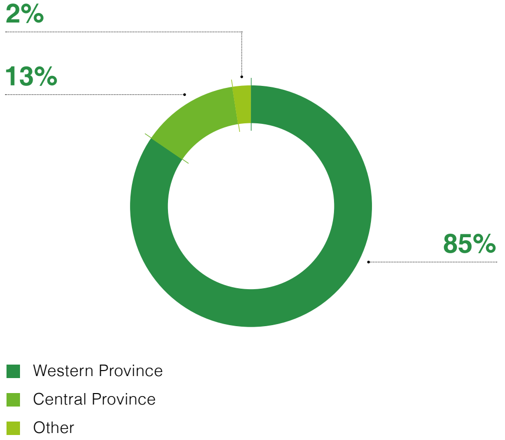
Analysis of fixed deposits on type of depositors



Analysis of fixed deposits based on tenure



Geographical analysis of fixed deposits base



Building confidence

- **Constant interaction**

  During the initial stages when contact is established, a relationship manager is assigned for each customer. They can then contact these officers when they have queries or complaints about the Company's products and services or service standards. The centralised network of delivery points which consists of 59 branches and 41 service centres spread across the country enables customers to get the required information about their loan facilities, deposits, and all other services.

  Your Company's website is also a pivotal tool through which customers can stay updated about products and services. It has recently been updated to provide customers with information and lodge complaints or queries with ease. Our email address info@senfin.lk could also be used to interact with the Company.

- **Product creation and promotions**

  Your Company continuously develops new sub products thereby providing value added services and features to its product portfolio. These product innovations are made based on evolving market developments and customer expectations and with a view to ensure the satisfaction of our customers. Most promotions of new products are conducted within chosen localities. This helps your Company target a certain customer base and approach them in a manner that best suits them. For this purpose, town storming, leaflet campaigns, street promotions, and banners are used as promotional tools. However, the Company depends on referrals and recommendations as the primary form of business promotion.

- **Abiding trust**

  In order to establish our lifelong commitment to our customers, we always take their complaints seriously and also make it a point to provide solutions promptly. A customer complaints and suggestions box is placed at every branch and centre while customers are allowed access to the highest level of management depending on the severity of the issue.

- **Ensuring customer satisfaction**

  Periodic customer satisfaction surveys are also carried out. The high rate of return customers, higher fixed deposit renewal ratio and the loyal deposit customer base that is growing are indicators that your Company is able to maintain higher levels of customer satisfaction.

Opening of the 100th Branch at Mudalige Mawatha, Colombo 1 (Fort).


Kahawatta Branch Opening.


Kalawana Branch Opening.

> **If in the future we need more money to keep growing, we will undoubtedly approach Senkadagala Finance PLC again.**

© Omar Havana/IFC

Name of the customer: Mrs Threeni Nilsiri

Age: 34 years

Town/district: Elpitiya, Galle

Nature of business: Manager of Landmark Industry

Period of relationship with our Company: Since July 2011

Threeni and her husband founded "Landmark Industry" three years ago with an investment of LKR 60,000/- with the intent to distribute school items to bookshops. They approached Senkadagala Finance PLC eight years ago, and maintained a partnership with us since then. Today, the company has an inventory stock of LKR 10 Mn., employs over 10 workers who are mostly women and distributes products across eight districts of the country.

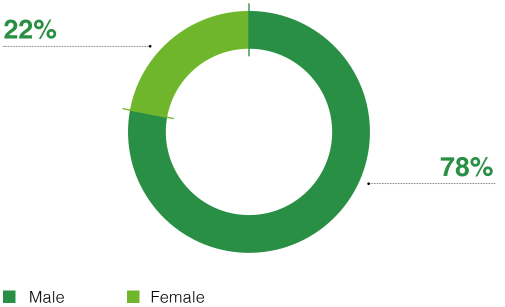
Employee Capital

As your Company continued to grow, the development of its human capital remained a key focus area. From continuous training to realigning ICT systems and processes to enable better operations, we always strive towards meeting the needs of our employees. We also keep in mind their job satisfaction and guarantee that the work environment does not pose any form of threat to their physical or mental wellbeing. As a result we have been able to sustain the loyalty of our employees and take pride in their performance which in turn has contributed towards the performance of the Company.

Employee capital highlights 2018/19

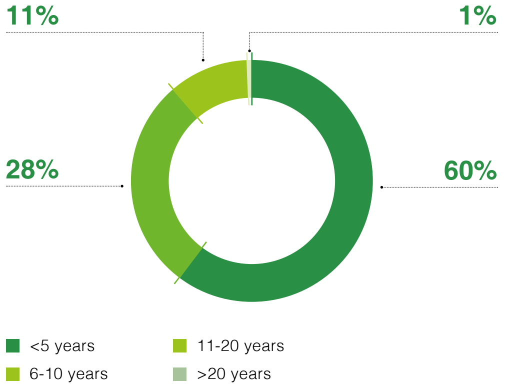
- While male employees continue to be the majority, over the years, we have noticed a gradual yet slower than expected growth of female employees. This will be an area of focus in the future.

Employees analysed by gender



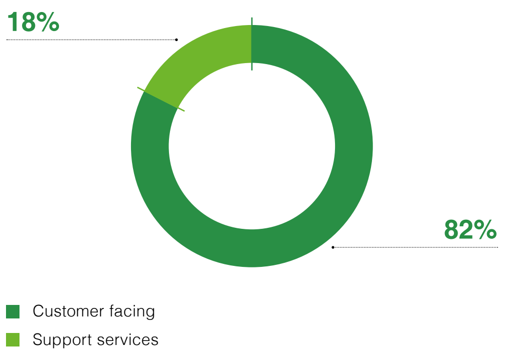
- In comparison to 34% of previous year, 40% of employees have reported a length of service of 5 years or above with the Company.

Analysis of length of service



- As our focus has been on ensuring customer satisfaction and developing customer relationships, a majority of our staff members communicate with customers.

Composition of staff in terms of customer facing vs support services

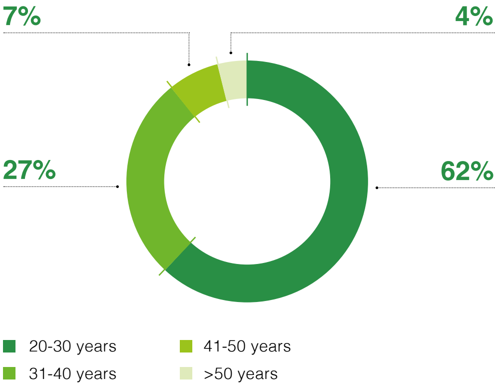


Number of sales oriented staff

651

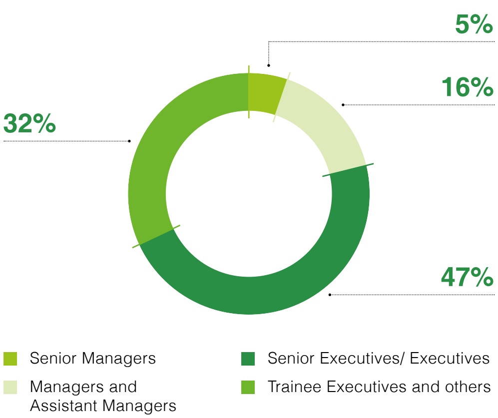
- In terms of age, there has been a slight decline in the number of employees between the ages 20-30 and growth in the professionals between the ages of 31-40 and 41-50.

Analysis of employees by age



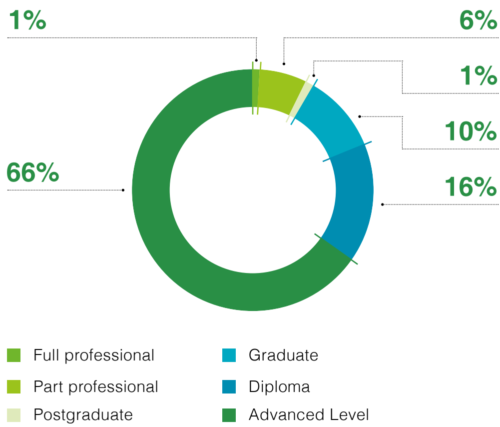
- While a majority seems to occupy the positions of senior executives, there was a significant growth in the number of managers, assistant managers, and senior managers during the financial year due to promotions.

Analysis on employment grade



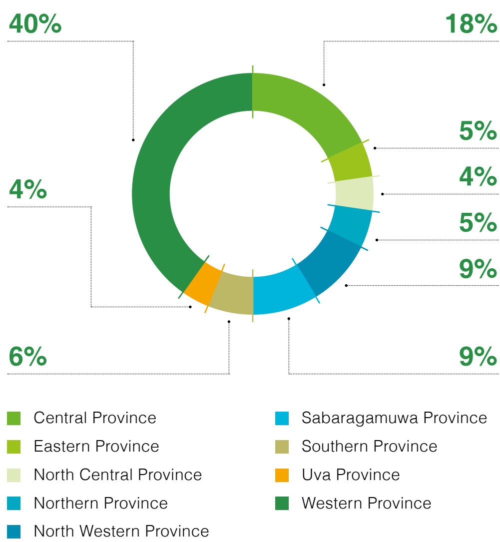
- A significant number of employees are Advanced Level qualified but this year, the number of diploma holders increased moderately.

Qualifications of employees



- As we continued to expand throughout the country, the statistics reveal that our employees are based in the areas where the branches are established. These employees have a better understanding of the customer segments unique to each area.

Geographical analysis of employees



Recruitment and selection

Your Company adopts a trusted recruitment process that ensures the best talent is hired for the relevant role. Throughout, the recruitment process we stay true to the ethics of the Company.

This year, over 200 new employees were recruited to primarily take up the positions of executives in branches across the island. Out of the total number of talent recruited during the year, an average of 5.7% joined each of the branches, thereby ensuring that expertise was well distributed. In areas where new branches were opened, local talent was sourced, ensuring that employment opportunities are created for the youth of these areas.

Total number of new employee recruitment during the year

Number of recruitments	Employee category				
	SNR MGRs	MGRs	SNR EXOs	EXOs	Others
217	0	1	16	141	59

Average staff per branch
5 or 6 employees

Recruitment process

The following recruitment procedure is adopted for a vacancy that is created following a resignation, promotion, or the requirement of additional staff strength in an area of the Company:

1. An advertisement is carried in newspapers and online media.
2. Applications are processed.
3. Shortlisted candidates are called for the first interview, headed by the Personnel department.
4. Subsequent interviews are conducted by a panel of line managers, department heads, AGM, GM or CEO as required.
5. A suitable candidate is selected and inducted.

Recruitment: priorities and promotions

Your Company also gives priority to internal candidates who display talent. For all new branches that were established, we attempt to appoint top performers to the positions of branch managers. This enables employees to grow with the Company and to set targets when mapping their career plan.

Training

Your Company is keenly aware of the importance of organising training programmes for all employees regardless of the position they occupy in the Company. This ensures that their knowledge of the sector grows continuously along with an awareness of risks and the processes needed to counter them.

Training session in progress at the Company training facility at Wattala.

Training programmes for 2018/19

Date	Programme	Participation	Number of employees participated
28 April 2018	Training on fixed deposits system	Executives	13
12 May 2018	Training programme on analysing CRIB reports and credit evaluation/new computer system/vehicle insurance/ reporting details to CRIB and common mistakes/valuation of vehicles	Senior Executives and Executives (Marketing)	32
17 May 2018	Training on recoveries	Executive (Recoveries) and Search Officers	26
22 May 2018*	Workshop on understanding labour laws for better labour relations in Sri Lanka (Conducted by the National Institute of Labour Studies under the Ministry of Labour and Trade Union Relations)	HR Executives	2
22 May 2018*	Seminar on fixed income and forex trading	Manager (Treasury)	1
26 May 2018*	Indebtedness and economic issues in Trincomalee (Organised by the Central Bank, Trincomalee regional office)	Managers (Marketing)	3
5 June 2018*	Pay As You Earn (PAYE) Tax and Withholding Taxes (WHT) under the Inland Revenue Act No. 24 of 2017 (Conducted by CA Sri Lanka)	Manager (Finance) and Chief Manager (Risk and Audit)	2
8-10 June 2018*	Provincial law conference (Organised by the Bar Association of Sri Lanka)	Manager (Legal Customer Services)	1
10-11 July 2018*	Exhibition and conference on cybersecurity for financial services	Manager (IT) and Senior Executive (IT)	2
11 August 2018	Training programme on analysing CRIB reports and Credit Evaluation/New Computer System/Vehicle Insurance/ Reporting Details to CRIB and common mistakes/Valuation of Vehicles	Senior Executives and Executives (Marketing)	30
21 August 2018*	Workshop on anti-money laundering and countering the financing of terrorism (Conducted by the Central Bank, Matale regional office)	Senior Executive, Executives (Marketing)	4
29 August 2018*	Workshop on anti-money laundering and countering the financing of terrorism (Conducted by the Central Bank, Matara regional office)	Executive (Marketing)	3

Date	Programme	Participation	Number of employees participated
27 September 2018*	AML/CFT regional workshop for officers of financial institutions in Badulla and Monaragala Districts (Organised by Financial Intelligence Unit of the CBSL)	Senior Executive, Executives (Marketing)	4
7 October 2018	Training programme on pawning	Officers, Senior Executives, and Executives (Pawning)	53
8-10 October 2018*	39th National Conference of Chartered Accountants	Chief Financial Officer, Chief Manager (Risk and Audit) and Assistant Manager (Accounts)	3
16 November 2018*	Training programme on anti-money laundering and countering the financing of terrorism (Conducted by the Central Bank, Trincomalee regional office)	Senior Executives and Executives (Marketing)	8
24 November 2018*	Financial customer protection framework (Conducted by the Central Bank, Trincomalee regional office)	Senior Executives, Executives (Marketing)	8
15 December 2018	New system training – fixed deposits	Manager, Senior Executive, Executive (Marketing)	45
29-30 January 2019*	Recent changes to accounting, auditing and tax principles (Conducted by CA Sri Lanka)	Manager (Finance), Manager (Accounts), Assistant Manager (Accounts), Senior Executives and Executive (Accounts)	6
On-going	Diploma in taxation	Senior Executives (Accounts)	2
9 February 2019*	Effective customer relations and image building	Executives (Marketing)	47
9 March 2019	Effective customer relations and image building	Senior Executive (Deposits), Executives (Legal, Treasury and Marketing)	64
19 March 2019*	Internal auditors' forum SLFRS 9 (Conducted by Ernst & Young, Financial Accounting Advisory Services)	Chief Manager (Risk and Audit)	1

** Off-site training programmes, seminars and workshops.*

Retention

Over the years, your Company has always sought to create a corporate culture that nurtures growth. Having worked towards creating an enabling environment, your Company has managed to report a notable increase in the average length of service across all positions within the Company. This will continue to be an area of focus.

Average length of service by employee categories

Perquisites and benefits

Your Company not only provides its employees with mandatory benefits but also ensures that the benefits offered reward their performance and highlight the important role they occupy in the growth of the Company.

- **Performance incentives**

Employees are paid an annual bonus depending on the profitability of the Company and the employees' performance. It is subject to achieving specified KPIs at the discretion of the management.

- **Medical benefits**

Hospitalisation expenses can be claimed and are subject to the maximum amount specified in the Hospital and Surgical Expenses Insurance cover.

- **Personal accident cover**

All staff members of the Company are covered with Personal Accident Insurance.

- **Staff loans**

Staff members who have completed five years are eligible for a loan subject to a maximum of a 60-month repayment period.

All confirmed employees are eligible for salary advance, festival advance up to one month's salary.

- **Company vehicle**

A motor car or motor bike is provided to specific employee grades.

- **Mobile SIM**

A mobile connection with an allowance is provided to all employees.

- **Maternity leave**

Female employees are entitled to maternity leave and nursing intervals in line with the Labour regulations for any number of child births.

Performance review

An ongoing performance evaluation system has been put in place to assess the performance of the sales and marketing staff. The performance of a branch or region can also be monitored through the system. This collective assessment method includes the profitability of the branch/centre, performance during the year, portfolio quality, deposit mobilisation, etc. The assessment criteria for individual performance is based on the knowledge of work, initiative, personality, dependability, and the quality of work during the period of appraisal. We also maintain the interconnectedness of collective and the individual performance thereby ensuring that healthy levels of competition are maintained for the betterment of the entire Company.

Workplace health and safety

Security

The wellbeing of our employees has always been a priority and is continuously upheld. Security is an important aspect of this process and the following measures are taken to ensure security of our employees: security personnel as required, CCTV cameras, security alarms and locks, etc.

Health and safety

Your Company is committed to providing a safe work environment for its employees and ensures that employees are also well acquainted with these safety policies in order to maintain the safety of the unit. Therefore, employees are encouraged to do the following:

- Follow the safety rules and procedures.
- Cooperate fully with the "life & fire safety" officer in an instance of fire or any other disaster.
- Act responsibly for the health and safety of oneself and others while at work.

- Notify his/her superiors or Managers if you experience any kind of discomfort at the work place which could lead to an injury.
- Inform his/her superior of any damage that has been caused to firefighting equipment, blockage of fire exits, etc.
- Keep his/her work space tidy and the floor space free from packages and other bulky objects. Ensure that there is no danger of tripping over telephone and electrical wires.
- Stay updated about the service providers' contact numbers which will be useful in case of an emergency.

Your Company incurred the following expenses to provide health benefits and provide accident coverage for its employees during the year.

Expenses incurred in relation to health and safety

Hospitalisation and surgery cover (LKR)	19,066,006
Personal accident cover (LKR)	1,100,671

Fire protection

In the case that a fire occurs, your Company has taken measures to ensure the safety of its employees while minimising damage caused by fire and have educated our employees on the safety measures that have to be adopted. The following are a few of the measures your Company adopts:

- Comply with rules, regulations, and requirements given by the local authorities when establishing a new branch/department or premises.
- Design and arrange buildings/premises according to fire safety measures. (emergency exits, symbols, etc.).
- Provide required fire equipment and fire extinguishers and arrange periodical testing.
- Conduct training and awareness programmes for staff related to fire protection.
- Train a selected staff member and appoint him or her as a "life & fire safety in charge" covering each department and branch.
- Educate staff on emergency response activities such as fire evacuation, fire protection, safety measures etc.

Grievances procedure

Employee grievances play a pivotal role in the overall health of the Company. In order to ensure that employees feel safe to disclose their grievances, the work culture fosters trust among employees regardless of the positions they occupy. This two-way communication system has been successful so far and ensured that employee grievances are handled within a stipulated timeframe and play a role in the future decision-making processes of the Company. Usually, a grievance is shared with the employee's immediate senior and is brought to the attention of higher officers in the event the grievance voiced is not resolved.

Senkadagala Finance fosters a work culture that promotes trust and communication among employees. All employee grievances are treated with sensitivity and seriousness. Immediate remedial action is taken for issues that caused discomfort to respective employees. Well documented policies and procedures are in place to ensure sound management.

Procedure

- Any employee with a grievance must first convey it to his/her immediate supervisor.
- In the event that the immediate officer does not take adequate action, the employee could convey the grievance to the line manager.
- In case the manager is unable to address the issue, the employee may convey the grievance to the Head of HR.
- If the Head of HR also does not take adequate action, it could be conveyed to the Deputy CEO.
- If the Deputy CEO is unable to take remedial measures, the grievance may be conveyed to the Additional CEO or the Managing Director or CEO.
- Every effort must be taken to resolve the grievance at its point of origin and to bring it to the notice of the next senior officer within three working days.
- This means a grievance handling process should ideally be completed within five working days or a maximum of ten working days.

Work life balance

Employee well-being is vital for your Company. The Company encourages its employees to maintain a healthy work-life balance. As an initiative to promote this, majority of recruitments are done from respective localities. This ensures that employees' commute to work is shorter, allowing them to spend time on personal and family commitments. 94.7% of managers of the Company are based in their respective locality. All transfers during the year were granted on request of employees as they could be stationed close to their loved ones.

The best thing about Senkadagala Finance PLC is how fast they approved our lease. We have no doubts that if in the future we need more money we will approach them again.

© Omar Havana/IFC

Name of the customer: Mrs Chamila Lakmali

Age: 38 years

Town/district: Nelumwewa, Rathmale/Matara

Nature of business: Furniture shop and timber mill

Period of relationship with our Company: Since December 2018

Chamila co-owns a furniture and timber company with her husband in Matara. She manages sales while her husband manages production at their timber mill. The couple approached Senkadagala Finance PLC to lease a van that they could use to distribute furniture to clients and transport furniture from the mill to the shop. Significantly, 60% of the products that they sell are manufactured in-house.

Social and Environmental Capital

Your Company has a holistic value creation proposition – one that takes into account the wider ramifications of its operations on the society and the environment. Our aim has been to involve and integrate the localities in which we operate while also being sensitive to the alarming effects a business could have on the environment. We have now implemented strategies to minimise our environmental footprint while being keenly aware of communities in need.

A sense of community

Five new branches in Kahawatta, Angoda, Kalawana, Padukka, and Fort were opened during the financial year. The branch managers and officers-in-charge positions were assigned through internal promotions while other staff members were recruited from the relevant localities; thereby creating employment opportunities for capable youth.

Your Company also identified a school in an impoverished region in the Badulla District. The school which is located in an area called Maliyedda, Kandekatiya is attended by around 50 students who belong to poor farming families. Your Company provided the school with a name board which they required for some time. Donations of steel cupboards and sports equipment were also made to the school. We will continue to reach out to these communities that are in dire need of help and support.

Donation of sports equipment

Unveiling of the name board donated to the Nagolla Primary School, Maliyedda.

Measures taken to reduce our environmental footprint

- **The Environmental and Social Management System and Procedures**
  The ESMS is intended to integrate environmental and social risk management to the business process of the Company. The system is in line with the applicable national environmental legislative requirements and relevant international best practices and helps screen lending against a specified exclusion list. The system also helps your Company monitor the effective implementation of ESMS while assisting clients to identify, mitigate, and manage environmental risks. Environmental and social risk conscious policies have enabled your Company to secure funding from leading international bodies such as the IFC.

- **Digital solutions**
  Your Company has in place an online document retrieval system which has reduced the need to reproduce physical copies of certain documents. This system which has been used for the loan approval process has reduced the amount of time taken to approve loans and in turn has increased our productivity. During the financial year, your Company also digitised its staff claim approval process which has further helped to cut-down the use of paper at a branch and centre level.

- **Recycling**
  We also actively promote the re-use of materials such as paper. The Administrative Department often stresses the importance of reusing envelops for internal courier purposes. This has helped reduce the cost incurred by material of this kind and encourages environmental-friendly trends among staff.

- **Energy conservation**
  In order to reduce the energy consumption of the organisation, LED panel lights have been installed at new branches and service centres. This has slightly increased the procurement and installation costs but has helped reduce the energy consumption of the entity in the long-run. During the financial year, the Management replaced outdated air conditioners with inverter air conditioners to preserve energy and it has also been proposed that any new properties constructed by the Company will be installed with solar electrical systems. Moreover, our staff has been educated on the significance of energy preservation and these initiatives combined have maintained electricity consumption at an equal level to the previous year despite the increasing number of branches and operations.

	2019	2018	Variation %
Electricity expenses (LKR)	**46,192,370**	45,110,192	2.40
Number of units	**1,776,729**	1,765,130	0.66
Water expenses (LKR)	**1,146,917**	961,930	19.23
Number of units	**13,269**	13,047	1.70

- **Popham Arboretum project**
  Your Company also continued to extend its financial assistance to the Popham Arboretum project in Dambulla which has widened its mission beyond chena cultivation to include naturally grown indigenous dry zone trees. The Arboretum also educates the public on the importance of natural forestation and alerts them about the dangers of clearing lands for cultivation.

- **Integrating operations**
  Your Company ensures that all activities undertaken are consistent with its own environmental and social standards. Social and environmental risk management is also integrated into the internal risk analysis of the Company while we encourage interested parties, especially clients and other domestic partners to be environmentally and socially responsible.

Shareholder and Investor Capital

Your Company recognises the significant role shareholders play in the success of the Company in the short, medium, and long term. When it commenced operations your Company had three shareholders who were also the Directors of the Company at the time. Along with the growth of the Company, it has also gained the trust of a larger number of shareholders. Your Company also relies on investors for equity and individuals and institutions for debt capital.

Primarily due to the enhancement of the minimum capital requirement by the Central Bank to LKR 1 Bn. since 1 January 2018, the sector maintained its overall capital well above the minimum requirement. The minimum requirement has been further increased to LKR 1.5 Bn. in January 2019. It was also noted that the sector core capital and total risk weighted capital adequacy ratios decreased to 9.9% and 11.2% in 2018 from the reported levels of 12.4% and 13.1% in 2017 as the companies had to report risk weighted assets with a more risk sensitive focus covering credit risk and operational risk under the new capital adequacy framework.

The regulatory capital comprises Tier 1 and Tier 2 capital of which Tier 1 capital contributed to 97% of the total regulatory capital. Tier 1 capital mainly comprises issued share capital, statutory reserve fund, and published retained profits. Your Company reports a capital adequacy ratio of 15.49%. Maintaining a healthy capital adequacy ratio has always been a primary concern and will be one of the main focuses in the next financial year. In that spirit the Board of Directors has proposed to issue LKR. 1.5 Bn. worth of subordinated listed debentures with an option to further increase that by LKR 250 Mn. to boost the total capital ratio within the year 2019. In March 2011, Senkadagala Finance PLC was listed in the *Diri Savi* Board of the Colombo Stock Exchange, providing shareholders with a liquid form of investment. The Company only has equity in the form of voting shares in issue.

Shareholder information

Twenty largest shareholders

As at 31 March	2019		2018	
	Number of shares	Percentage of holding %	Number of shares	Percentage of holding %
E.W. Balasuriya & Co. (Pvt) Limited	**40,774,460**	**56.26**	40,774,460	56.26
Hallsville Trading Group Inc.	**5,954,393**	**8.22**	5,954,393	8.22
Dr M Balasuriya	**4,172,046**	**5.76**	4,172,046	5.76
Mr R Balasuriya	**4,172,045**	**5.76**	4,172,045	5.76
Dr (Mrs) G Madan Mohan	**4,172,045**	**5.76**	4,172,045	5.76
Dr A Balasuriya and Mr D Balasuriya	**2,086,023**	**2.88**	2,086,023	2.88
Mr L Balasuriya and Mr S K Balasuriya	**2,086,023**	**2.88**	2,086,023	2.88
Dr A Balasuriya and Mr S Balasuriya	**2,086,022**	**2.88**	2,086,022	2.88
Mr L Balasuriya and Ms A S Balasuriya	**2,086,022**	**2.88**	2,086,022	2.88
Ms L Fernando and Ms S A Fernando	**1,166,232**	**1.61**	1,166,232	1.61
Ms L Fernando and Mr A R Fernando	**1,166,231**	**1.61**	1,166,231	1.61
Ms L Fernando and Ms A L Fernando	**1,166,231**	**1.61**	1,166,231	1.61
Mr D K C R Fernando	**673,348**	**0.93**	673,348	0.93
Mrs C Fernando	**172,888**	**0.24**	172,888	0.24
Estate of the late Mr D G K Hewamallika	**172,888**	**0.24**	172,888	0.24
Mrs S Thaha	**158,483**	**0.22**	158,483	0.22
Mr I M Thaha	**144,073**	**0.20**	144,073	0.20

As at 31 March	2019		2018	
	Number of shares	Percentage of holding %	Number of shares	Percentage of holding %
Mr M M Ariyaratne	**31,653**	**0.04**	31,653	0.04
Mr P P K Ikiriwatte	**16,977**	**0.02**	16,977	0.02
Mr J K Jayatileke	**16,963**	**0.02**	16,963	0.02
Total shares	**72,475,046**	**100.00**	72,475,046	100.00

The Company has 72,475,061 (2018 – 72,475,061) number of voting shares in issue, with right to vote allocated at one vote per share as at 31 March 2019.

Information on public holding and market capitalisation

	2019	2018	Minimum requirement
Public holding (%)	**21.60**	21.60	7.50
Number of public shareholders	**9**	9	200
The float adjusted market capitalisation (LKR)	**1,393,011,618**	1,393,011,618	1,000,000,000

The float adjusted market capitalisation of the Company falls under Option 1 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange. As at 31 March 2019 the Company was not in compliance with the minimum number of shareholders required therein.

Directors' shareholdings

	2019		2018	
	Number of shares	Percentage of holding %	Number of shares	Percentage of holding %
Dr M Balasuriya	**4,172,046**	**5.76**	4,172,046	5.76
Dr A Balasuriya and Mr D Balasuriya	**2,086,023**	**2.88**	2,086,023	2.88
Dr A Balasuriya and Mr S Balasuriya	**2,086,022**	**2.88**	2,086,022	2.88
Mr L Balasuriya and Mr S K Balasuriya	**2,086,023**	**2.88**	2,086,023	2.88
Mr L Balasuriya and Ms A S Balasuriya	**2,086,022**	**2.88**	2,086,022	2.88
Ms L Fernando and Ms S A Fernando	**1,166,232**	**1.61**	1,166,232	1.61
Ms L Fernando and Mr A R Fernando	**1,166,231**	**1.61**	1,166,231	1.61
Ms L Fernando and Mr A L Fernando	**1,166,231**	**1.61**	1,166,231	1.61
Mr L Balasuriya – The Trustee of the Capitalisation Issue	**15**	**0.00**	15	0.00
Mr W A T Fernando	**–**	**0.00**	–	0.00
Dr P Ramanujam (Resigned with effect from 12 December 2018)	**–**	**0.00**	–	0.00
Mr S D Bandaranayake	**–**	**0.00**	–	0.00
Mr D T P Collure	**–**	**0.00**	–	0.00
Mr W M R S Dias	**–**	**0.00**	–	0.00
Mr Senanayakege R Pushpakumara	**–**	**0.00**	–	0.00

Distribution of shareholding

Shareholding as at 31 March	2019			2018		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
1 – 1,000	**1**	**15**	**0.00**	1	15	0.00
1,001 – 10,000	**0**	**–**	**0.00**	0	–	0.00
10,001 – 100,000	**3**	**65,593**	**0.09**	3	65,593	0.09
100,001 – 1,000,000	**5**	**1,321,680**	**1.82**	5	1,321,680	1.82
1,000,001 – 10,000,000	**11**	**30,313,313**	**41.83**	11	30,313,313	41.83
Over 10,000,000 shares	**1**	**40,774,460**	**56.26**	1	40,774,460	56.26
		72,475,061	**100.00**		72,475,061	100.00

Residential and non-residential shareholders

As at 31 March	2019			2018		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Resident shareholders	**20**	**66,520,668**	**91.78**	20	66,520,668	91.78
Non-resident shareholders	**1**	**5,954,393**	**8.22**	1	5,954,393	8.22
		72,475,061			72,475,061	

Institutional and individual shareholding

As at 31 March	2019			2018		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Institutions	**3**	**46,728,868**	**64.48**	3	46,728,868	64.48
Individuals	**18**	**25,746,193**	**35.52**	18	25,746,193	35.52
		72,475,061			72,475,061	

Information on market prices and other ratios

	2019	2018	2017	2016	2015
Earnings per share (LKR)	**13.12**	13.97	13.05	9.40	8.27
Dividends per share (LKR)	**3.15**	3.00	2.85	2.55	1.65
Net assets per share (LKR)	**73.09**	69.42	56.14	45.89	38.85
Price earning ratio (Times)	**6.86**	6.44	6.90	6.38	7.25
Price to book value ratio (Times)	**1.23**	1.30	1.60	1.31	1.54
Dividends yield (%)	**3.50**	3.33	3.17	4.25	2.75

Market price and trade information

	2019	2018
Market prices		
Highest price (LKR)	Not traded	Not traded
Lowest price (LKR)	Not traded	Not traded
Last traded price (LKR)	Not traded	Not traded
Last traded date	–	–
Number of trades	–	–
Number of shares traded	–	–
Value of shares traded (LKR)	–	–

Dividend policy

When deciding dividend payouts, your Company takes into consideration a number of factors such as earnings after tax, current capital ratios, capital requirements to support future growth, strategies, and industry practices.

During the year under review, we distributed 24.02% of its earnings compared to 21.21% of the previous year. Details of dividends paid to shareholders during the year are as follows:

	2019			2018		
Dividend payment	**Amount LKR**	**DPS LKR**	**Paid date**	**Amount LKR**	**DPS LKR**	**Paid date**
1st interim dividend paid	28,990,024	0.40	29 October 2018	36,237,531	0.50	1 November 2017
2nd interim dividend paid	57,980,049	0.80	11 February 2019	68,851,308	0.95	21 February 2018
3rd interim dividend paid	43,485,037	0.60	7 May 2019	72,475,061	1.00	3 May 2018
Final dividend proposed/paid	25,366,271	0.35	Subject to AGM approval	68,851,308	0.95	10 July 2018
Total dividends proposed	130,455,110			246,415,207		
Dividends paid during the year	228,296,442			213,076,679		
Earnings during the year	950,603,694			1,004,671,318		
Dividends pay-out ratio (%)	24.02			21.21		
Earnings retention ratio (%)	75.98			78.79		

Information on listed debentures

The listed debentures provide a reliable source of funding for corporates. It also allows the investors to reap benefits of favourable market movements and realised the gains when required. Senkadagala Finance has following listed debentures in issue:

Debenture	November 2016							
	Type A		Type B	Type C	Type D	Type E	
Instrument	Senior, Unsecured, Redeemable, Rated						
Listing	Main Board of the Colombo Stock Exchange						
Redemption	Redeemable						
Number of debentures	3,972 ,700		100	1,895,100	622,700	23,509,400	
Issue price (LKR)	100.00		100.00	100.00	100.00	100.00	
Tenure	2 years		3 years	3 years	4 years	4 years	
Date of issue	November 2016		November 2016	November 2016	November 2016	November 2016	
Date of maturity	November 2018		November 2019	November 2019	November 2020	November 2020	
Interest rate	Fixed coupon of 12.50% p.a.		6 Month Gross T Bill + 1.50%	Fixed coupon of 13.25% p.a.	6 Month Gross T Bill + 1.75%	Fixed coupon of 13.75% p.a.	
Frequency of interest	Semi-annually		Semi- annually	Semi-annually	Semi-annually	Semi-annually	
Effective annual yield (%)	12.89		–	13.69	–	14.22	
Interest of comparable Government securities (%)	10.60		10.70	10.70	10.80	10.80	
Rating	BBB+ by Fitch Ratings Lanka Limited						
Total amount (LKR)	397,270,000		10,000	189,510,000	62,270,000	2,350,940,000	
Market information –							
Highest traded date and value (LKR)	11 April 2018	100.00	Not traded	Not traded	Not traded	23 November 2018	100.00
Lowest traded date and value (LKR)	16 April 2018	99.50	Not traded	Not traded	Not traded	4 September 2018	98.50
Last traded date and value (LKR)	18 May 2018	100.00	Not traded	Not traded	Not traded	15 February 2019	100.00
Current yield (%)	12.50		–	–	–	13.75	
Yield to maturity (%)	N/A		–	–	–	6.88	

The Company redeemed senior unsecured, redeemable, listed debentures to the value of LKR 397.27 Mn. and subordinated, unsecured, redeemable, listed debentures to the value of LKR 1,250 Mn. during the year.

The primary objective of the subordinated debenture issue in December 2013 was to strengthen the capital structure of the Company. The approved subordinated debenture helped to improve the Total Capital Ratio of the Company. The proceeds of this issue was also used to finance the growth of the lending portfolio at the time. In December 2018, the subordinated debenture was redeemed at maturity.

The Board of Directors of the Company has proposed to issue a second subordinated debenture to raise Rupees one billion and five hundred million with an option to further issue Rupees two hundred and fifty million in the event of oversubscription of the initial value subject to obtaining necessary approvals from relevant regulators. On issue the debenture will help to improve the capital adequacy position of the Company.

Proceeds from the Debenture issue in November 2016 were, primarily utilised to finance leasing and other lending of the Company. Details of utilisation of funding are given below:

Objective number	Objective as per prospectus	Amount allocated as per prospectus LKR Mn.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds (A) LKR Mn.	Percentage of total proceeds %	Amount utilised (B) LKR Mn.	Percentage of utilisation against allocation (B/A) %	Clarification if not fully utilised including whether the funds are invested
1	Leasing	2,700	Within 6 months from the date of allotment	2,700	90	2,700	100	N/A
2	Loans and advances	300	Within 6 months from the date of allotment	300	10	300	100	N/A

Other financial information

	2019	2018	2017	2016	2015
Debt to equity ratio (Times)	**3.77**	3.93	5.12	3.93	3.30
Interest cover (Times)	**1.25**	1.29	1.47	1.52	1.31

Capital adequacy

In order to be resilient in volatile economic conditions it is important to maintain adequate capital funds. Central Bank of Sri Lanka has issued several directives to govern this aspect of NBFIs. In early 2017 a Direction was issued specifying the minimum core capital required by an LFC, with the view of encouraging consolidation of LFCs. Following are the Directives governing the capital position of LFCs and the requirements therein,

- Finance Companies (Capital Funds) Direction No. 01 of 2003 specifies that every finance company shall maintain capital funds which shall at all times be more than 10% of its total deposit liabilities and also every finance company shall maintain a Statutory Reserve Fund, transferring a specified fraction of its net profit for the year based on the ratio of capital funds to total deposit liabilities.
- Finance Companies (Capital Adequacy Requirement) Direction No. 03 of 2018 specifies that every finance company shall, at all times maintain its core capital at a level not less than 6% of its risk-weighted assets, and the total capital constituting not less than 10% of its risk-weighted assets and is expected to increase to 10.5% from July 2019.

Tier 1 – Core capital: comprising paid up ordinary share capital, statutory reserves and or any other reserves created or increased by transferring of retained earnings excluding special purpose reserves with adjustments to investments in financial subsidiaries, intangible assets and shortfall of impairment provision.

Tier 2 – Supplementary capital: comprising of revaluation reserves, general provisions and other capital instruments which combine characteristics of equity and debt instruments and unsecured subordinated term debts.

Risk-weighted assets – Central Bank defines weightings based on the risk inherent in each category of assets. Cash and cash equivalent items as well as Government securities are 0% weighted, securitised assets are weighted in accordance with risk exposure of the security.

Risk-weighted assets on operational risk, as introduced by this new Direction is calculated using the Basic Indicator Approach.

- Finance Companies (Minimum Core Capital) Direction No. 02 of 2017 specifies that every finance company shall at all times maintain an unimpaired core capital not less than LKR 1.5 Bn. from 1 January 2019 and thereafter maintains an unimpaired core capital at levels stipulated therein by the dates specified.

Our commitment

Understanding the importance of healthy capital positions, Senkadagala Finance continues to surpass the regulatory capital requirements. As at 31 March 2019 the Company recorded a core capital ratio of 14.46% and a total capital ratio of 15.49%.

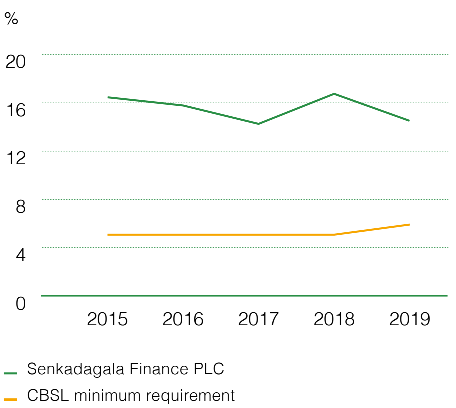
Initiatives taken during the year,

- The Company maintains a Statutory Reserve Fund, amounting LKR 415,036,033 as at 31 March 2019. LKR 50 Mn. out of profits were transferred to the said Fund during the year.
- Out of profits for the year LKR 722,307,252 was retained within the Company to support future growth and to strengthen the capital base of the Company.

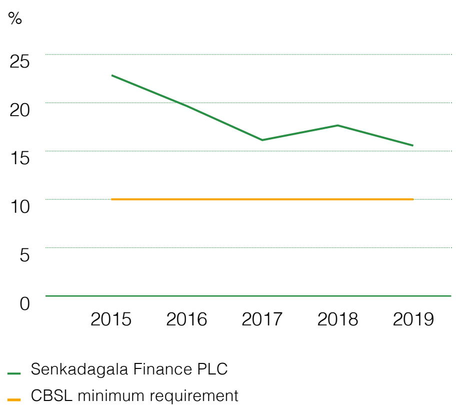
	2019* %	2018 %	2017 %	2016 %	2015 %
Core capital ratio					
Senkadagala Finance PLC	**14.46**	16.86	14.19	15.82	16.54
CBSL minimum requirement	**6.00**	5.00	5.00	5.00	5.00
Total capital ratio					
Senkadagala Finance PLC	**15.49**	17.65	16.08	19.69	22.97
CBSL minimum requirement	**10.00**	10.00	10.00	10.00	10.00

**Calculated in accordance with Finance Companies (Capital Adequacy Requirement) Direction No. 03 of 2018*

Core capital ratio



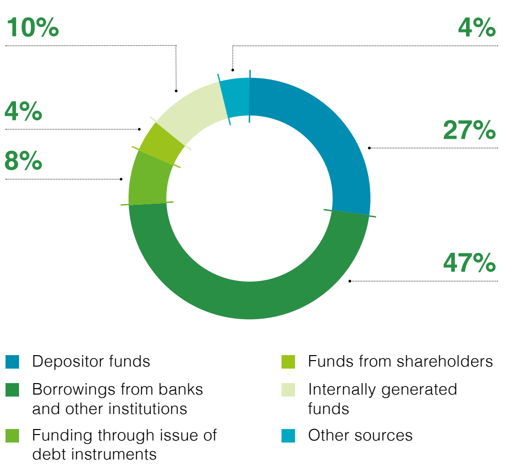
Total capital ratio



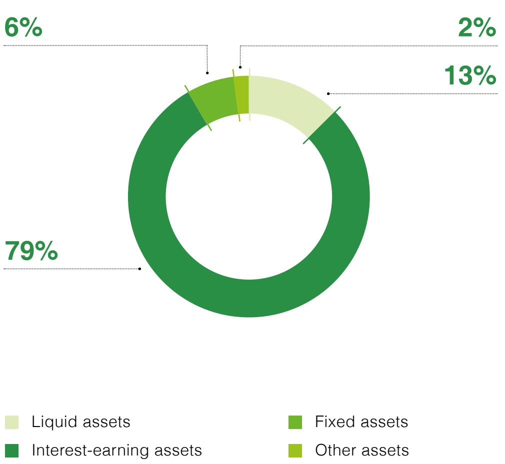
Sources and distribution of funds

	2019 LKR Mn.	2018 LKR Mn.	2017 LKR Mn.	2016 LKR Mn.	2015 LKR Mn.
Sources of funds					
Depositor funds	**10,009**	9,507	7,231	6,510	6,542
Borrowings from banks and other institutions	**17,263**	15,376	13,744	8,692	4,788
Funding through issue of debt instruments	**2,732**	4,400	4,993	3,060	3,580
Funds from shareholders	**1,588**	1,588	1,008	1,008	1,008
Internally generated funds	**3,709**	3,444	2,654	1,985	1,526
Other sources	**1,482**	1,789	1,290	1,015	630
Total	**36,783**	36,104	30,919	22,270	18,073
Distribution of funds					
Liquid assets	**4,632**	5,220	4,924	3,496	2,797
Interest-earning assets	**29,070**	27,802	23,758	16,908	13,583
Fixed assets	**2,333**	1,803	1,517	1,195	1,123
Other assets	**749**	1,278	721	671	570
Total	**36,783**	36,104	30,919	22,270	18,073

Sources of funds



Distribution of funds



Trust

One of the pillars of our business is trust shared between the Company and stakeholders

68 Stewardship

Board of Directors' Profiles

Mr Wadugamudalige Marius Ravindra Srilal Dias

FCIBC (London), LLB, Hubert H Humphrey Fellow

Chairman

Mr Ravi Dias, a banker by profession, retired as the Managing Director/Chief Executive Officer of Commercial Bank of Ceylon PLC after long years of service. He is a Fellow of the Chartered Institute of Bankers – UK, holds a Degree in Law (LLB) and is a Hubert H Humphrey Fellow.

Mr Dias serves on the Boards of Seylan Bank PLC (Chairman), Carson Cumberbatch PLC, Tokyo Cement (Lanka) PLC, Ceylon Tea Marketing (Pvt) Ltd., (Deputy Chairman), and South Asia Textile Industries Ltd.

He previously served on the Boards of Lanka Clear (Pvt) Ltd., Lanka Financial Services Bureau Ltd., and was a council member of the Employers' Federation of Ceylon.

Mr Lakshman Balasuriya

BSc (London), MSc (Lancaster)

Managing Director/Chief Executive Officer

Mr Lakshman Balasuriya is a Director of E.W. Balasuriya & Co. (Pvt) Ltd., Senkadagala Hotels Ltd., and Thompsons Beach Hotels Ltd. He holds a BSc (Lon) and MSc (Lancaster) and has 37 years of experience in finance, hotel management, and other commercial fields. He is the Managing Director and the Chief Executive Officer of Senkadagala Finance PLC.

Dr Asoka Balasuriya

BSc (London), PhD (London)

Executive Director

Dr Balasuriya holds a BSc (Lon) and a PhD (Lon) and has over 34 years of experience in the field of gems and jewellery. He is also a Director of Senkadagala Hotels Ltd., Thompsons Beach Hotels Ltd., and is the Chairman of E.W. Balasuriya & Co. (Pvt) Ltd.

Ms Lakshmi Fernando

BSc (Hons)

Executive Director

Ms Fernando holds a BSc (Hons) and has over 22 years of experience in the field of finance as well as in hotel management. She is a Director of Thompsons Beach Hotels Ltd., Senkadagala Hotels Ltd., and E.W. Balasuriya & Co. (Pvt) Ltd.

Dr Mahendra Balasuriya

BVSc

Executive Director

Dr Balasuriya is a Director of Senkadagala Hotels Ltd., E.W. Balasuriya & Co. (Pvt) Ltd., and Thompsons Beach Hotels Ltd., He holds a Bachelor's Degree in Veterinary Science and has over 34 years of experience in finance, hotel management, and other related fields.

Mr Widanalage Ajith Terence Fernando

FCMA, MA (Colombo)

Independent Non-Executive Director

Mr Fernando is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom (FCMA) and has an MA in Financial Economics from the University of Colombo.

He counts over 27 years of experience in the capital markets of Sri Lanka. He founded Capital Alliance in 2000 and currently serves as the group CEO. The Capital Alliance Group includes Capital Alliance Ltd., (a primary dealer for Government securities, appointed by the Central Bank of Sri Lanka), Capital Alliance Securities (Pvt) Ltd. (a trading member of the Colombo Stock Exchange), Capital Alliance Investments Ltd., (a licensed unit trust manager), and Capital Alliance Partners Ltd., (a leading Investment banking firm).

In addition, he serves on the Boards of many listed and unlisted companies including ADZ Insurance Brokers (Pvt) Ltd., Ashthi Holdings (Pvt) Ltd., and Ceylon Tea Brokers PLC.

Mr Sanath Divale Bandaranayake

BSc (University of Sri Lanka)

Executive Director/ Additional CEO

Mr Bandaranayake joined the Company subsequent to his retirement from Commercial Bank of Ceylon PLC – the largest and most awarded bank in Sri Lanka – having completed 36 years of service.

He has served the Bank in various capacities such as Branch Manager (Kandy, City Office), Chief Manager, Assistant General Manager, and Deputy General Manager (Operations). He was a core member of the management teams which led the Bank to important milestones such as introducing the banking software which has eased the Bank's operations and is used to date. During his tenure he also introduced holiday banking and supermarket banking.

During his career at the Bank he was appointed as Director at LankaClear and also served as Director of Commex Sri Lanka S R L (subsidiary of Commercial Bank based in Italy) and ONEzero Company Ltd., (subsidiary of Commercial Bank engaged in the business of Information Technology). Mr Bandaranayake holds a Bachelor's Degree in Physical Sciences from the University of Sri Lanka, Vidyodaya Campus.

Mr Don Tilak Padmanabha Collure

BSc (Colombo) MPA (USJ)

Independent Non-Executive Director

Mr Collure is a former public servant from the Sri Lanka Administrative Service Special Grade who has held a number of senior positions during 35 years in Government service mainly in the areas of trade, commerce, and logistics.

He has served as the Secretary to the following ministries: Ministry of Industry and Commerce, Ministry of Transport, Ministry of Shipping, Ports and Aviation. During his career, he has also headed several major public sector corporate institutions.

At present, he serves as a Member of the National Police Commission. Mr Collure holds a BSc in Natural Sciences (Colombo) and a Masters in Public Administration with a Merit Award (PIM/University of Sri Jayewardenepura).

Mr Senanayakege Raja Pushpakumara

FCA, BCom (Special) (USJ), PG Dip (BMgt)

Independent Non-Executive Director

Mr Senanayakege completed his articles at M/s Ernst & Young qualifying as a Chartered Accountant and joined Singer Industries (Ceylon) PLC in 1991 as a Financial Accountant. In 1994, he joined Commercial Bank of Ceylon PLC as the Senior Manager, Finance where he worked for 13 years and was the Assistant General Manager (Finance and Planning) when he resigned to join Nations Trust Bank PLC as the Chief Financial Officer. Subsequent to resigning from NTB, he commenced working at Smart Media The Annual Report Company helping the Company in all aspects of annual report production.

Mr Senanayakege also serves as an Independent Non-Executive Director of Serendib Finance Ltd., a fully-owned subsidiary of Commercial Bank of Ceylon PLC and a Director of Virtual Capital Technologies (Pvt) Ltd., a start-up IT company.

Corporate Governance

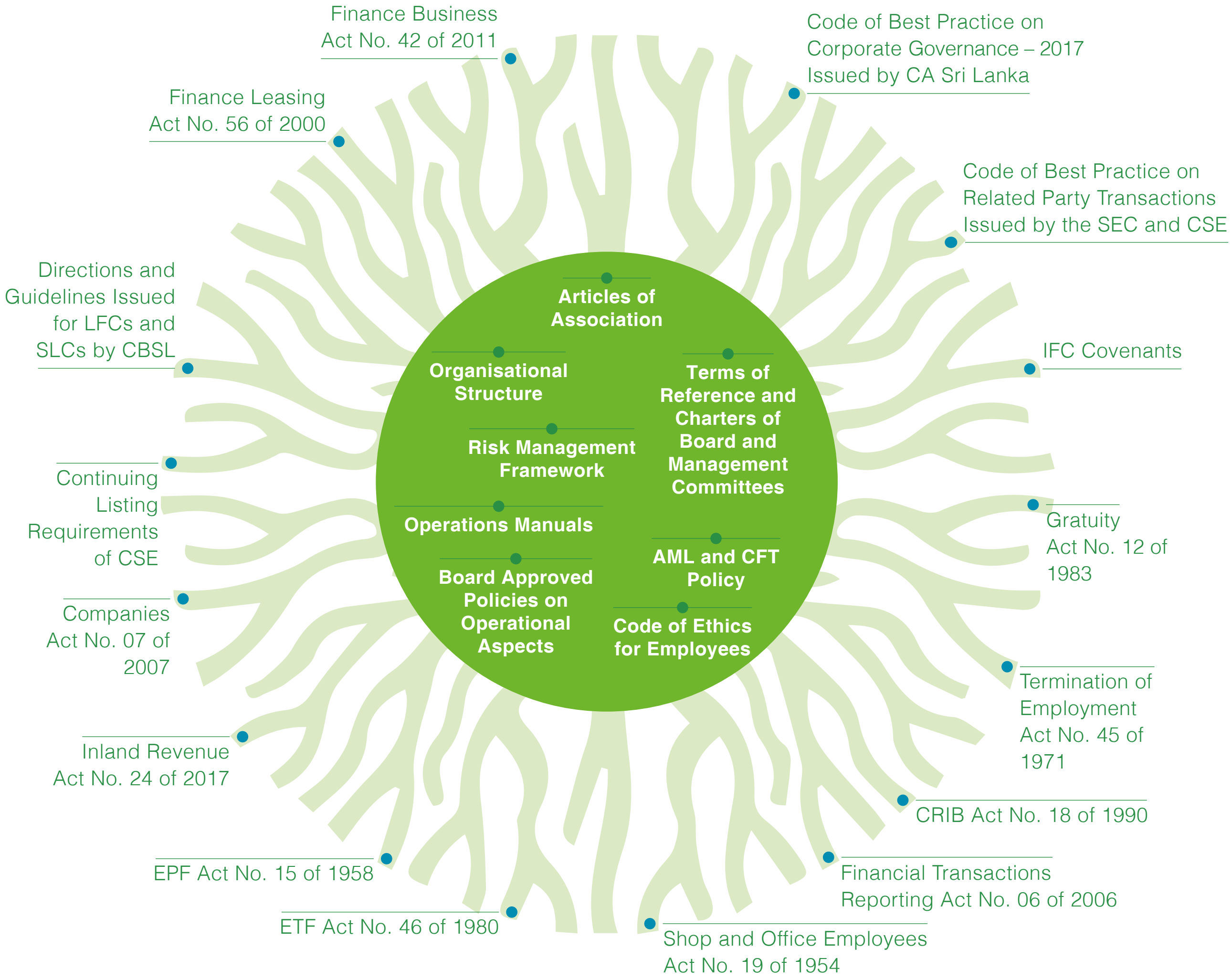
The Company's corporate governance framework which is built with cornerstones of collaborative culture, independent structure, ethical behaviour and the focused approach continues to ensure good governance within the Company. The strong foundation laid down by the Board through its governance philosophy is elaborated in this section. Further, it addresses how the Company conducts business by leveraging the numerous opportunities and responding to the threats presented by the business environment whilst maintaining the right balance between rights of and responsibilities to stakeholders.

As per the concept of Corporate Governance which has been defined as a system by which companies are directed, managed and controlled, the effective, transparent and accountable governance of affairs of a Company by its Management, including the conduct of the Board, ensures good corporate governance. Therefore, we at Senkadagala Finance PLC, place a strong emphasis on adopting and implementing sound principles and practices of good corporate governance derived from its foundation. The Company's policy of employing principles and practices of good governance ensures that its affairs are conducted in an effective and transparent manner and is well communicated to all its branches, service centres and departments within the Organisation.

Moreover, governance of financial institutions should aim at protecting the interests of all stakeholders such as shareholders, customers, employees, suppliers, regulators, depositors and the general public. Therefore, to that effect, the overall responsibility for governing the Company has been initiated by the Board of Directors followed by the Management Committee who takes leadership and a supervisory role in ensuring that the business is conducted in a transparent, sound and prudent manner. In governing the operations of the Company, the Board ascertains its core objectives and devises strategic plans in keeping with its corporate vision, mission and corporate values. The Board as part of its duties establishes policies, procedures and practices for smooth conduct of operations while providing financial, human and other resources for the attainment of its corporate objectives. Company continues to excel in the area of financial reporting which enhances transparency, one of the key features of an enterprise practicing sound corporate governance practices.

The framework including policies, procedures, structures and processes is reviewed regularly with the view of identifying gaps and areas for improvement to ensure that all elements of the Company's governance framework are fit for the purpose, up to date enabling value creation and growth.

The Governance Environment of the Company



The Company's corporate governance structure has been designed based on recommended best practices, regulatory requirements and industry standards. It has been further developed in the recent past in order to accommodate additional requirements of the regulators.

Corporate Governance Structure of the Company

→ Appoints
⇢ Reports to

Shareholders

Main Board

Chairman	Independent Non-Executive Directors (Including the Chairman)	Executive Directors
	4	5
Governance of the Board	Overall conduct of the business and strategy setting	

Board Committees

Audit Committee

Key Objectives

Effective governance of financial reporting, internal controls and risk management systems, review of significant accounting judgements, assumptions and estimates, management of the relationship and appointment of the External Auditor, monitoring and review of the effectiveness of the internal audit function

Three Independent Non-Executive Directors with accounting and auditing background

Integrated Risk Management Committee

Key Objectives

Development and implementation of policy on risk management including corporate compliance, review, assess and monitor all the risks faced by the Company and compliance with policies, procedures and other regulatory requirements

One Independent Non-Executive Director and two Executive Directors with the Senior Management

Remuneration Committee

Key Objectives

Development and implementation of the Company's remuneration framework and policies for Directors and the management including all incentives, bonuses and retirement benefits

Two Independent Non-Executive Directors

Related Party Transactions Review Committee

Key Objectives

To have guidelines for identification of related parties and the proper conduct, documentation and disclosure of all related party transactions of the Company

Two Independent Non-Executive Directors and one Executive Director

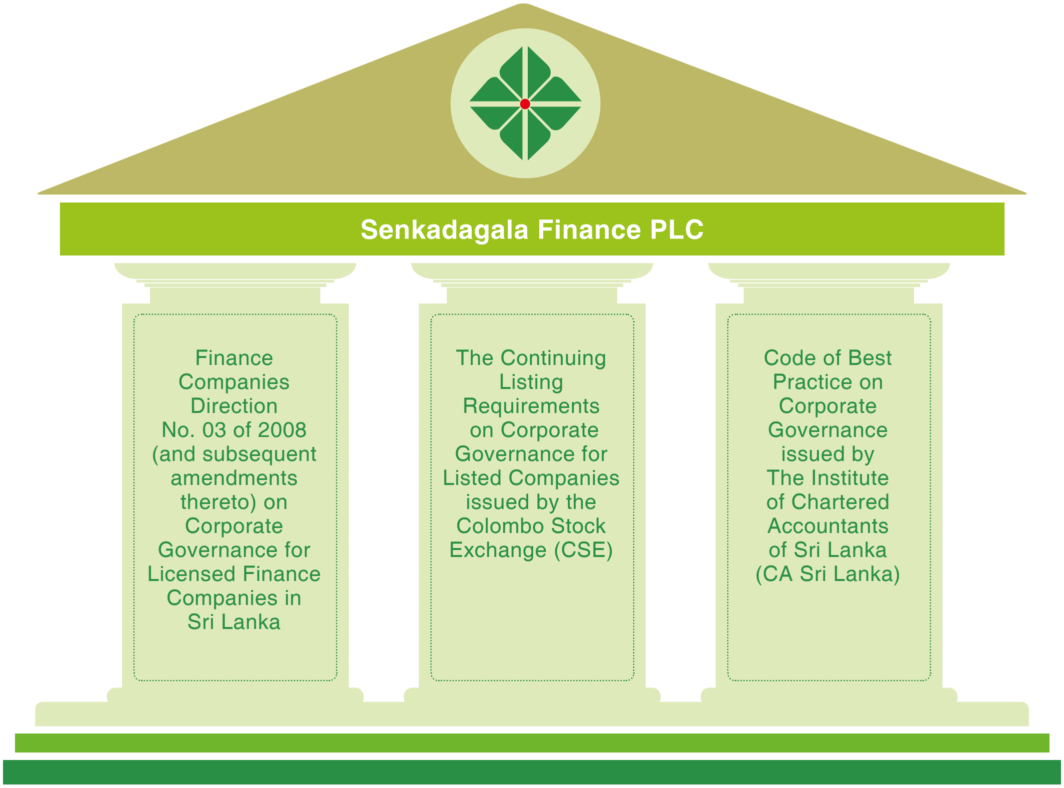
Executive Management Committee

Managing Director | Additional Chief Executive Officer | Chief Financial Officer | Chief Risk Officer | Corporate Management

Key Objectives
Implementation of strategy and actions in respect of financial planning and performance; day-to-day management of operations

Five Executive Directors from different disciplines

Codes complied by the Company



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

This Direction comprises nine fundamental principles, namely the responsibilities of the Board of Directors, meetings of the Board, composition of the Board, criteria to assess the fitness and propriety of Directors, delegation of functions, the Chairman and the Chief Executive Officer, Board-appointed committees, related party transactions and disclosures. The established structures in place and the conformance to the requirements are tabulated below under each fundamental principle:

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
2. The responsibilities of the Board of Directors			
2 (1)	Strengthening the safety and soundness of the operations of the finance company	Complied	The Board is responsible for overseeing the strategic direction, ensuring adequacy of risk management procedures, maintaining effective communication with all stakeholders, reviewing internal control systems and Management information systems for their effectiveness, identifying and defining the responsibilities of Key Management Personnel including succession planning, understanding the regulatory environment and exercising due diligence in hiring and oversight of External Auditors.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
2 (2)	Chairman and CEO	Complied	The functions and the responsibilities of the Non-Executive Chairman and the Managing Director/CEO have been in line with the Section 7 of the direction. The Chairman is required to provide leadership to the Board to ensure that the Board effectively discharges its responsibilities. The Managing Director/CEO on the other hand being an Executive Director is responsible for effective running of day-to-day operations of the Company.
2 (3)	Independent professional advice	Complied	Independent professional advice could be obtained by the Directors as and when required, at the Company's expense.
2 (4)	Voting for resolutions in matters of interest	Complied	There had been no such circumstances that arose during the year and procedure is in place to avoid conflicts of interest in relation to matters of interest. There is proper identification and disclosure of Directors' Interest in Contracts and Related Party Transactions through proper recording and disclosure in Financial Statements.
2 (5)	Formal schedule of matters	Complied	The Board ensures that the direction and the control of the Finance Company is under its authority through decisions made by way of a formal schedule of matters reserved for it, which has been approved by the Board.
2 (6)	Situation of Insolvency	Complied	Such situation has not arisen as Company fulfilled all its obligations accordingly. The Company makes payment of interest and capital on due maturity dates to its depositors and its borrowers, when they fall due.
2 (7)	Corporate Governance Report	Complied	This report satisfies the stipulated requirement.
2 (8)	Scheme of self-assessment	Complied	Annual self-assessment by each Director on Board performance has been done accordingly.
3. Meetings of the Board			
3 (1)	Number of meetings	Complied	Please refer table of Directors Attendance for the Board meetings given later in this section. Board Papers and other matters which require Board's consent had been taken up directly at Board meetings as much as possible.
3 (2)	Inclusion of proposals by all Directors in the agenda	Complied	All Directors are able to submit proposals for discussion on matters pertaining to promotion of business and the risk management of the Company.
3 (3)	Notice of Meetings	Complied	Directors are given adequate time and minimum notice period for all Board meetings.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
3 (4)	Attendance of Directors	Complied	All Directors have attended the Board meetings as stipulated by the Direction. Attendance of Directors at Board meetings is given later on in this Annual Report.
3 (5)	Board Secretary	Complied	The Board Secretary has been appointed by the Board to handle secretarial services of the Board and other functions specified by the statutes.
3(6)	Agenda for Board meetings	Complied	Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. Prior to circulation, Board Secretary obtains Chairman's approval for the Notice of Meeting and the agenda.
3 (7)	Access to the Company Secretary	Complied	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction.
3 (8)	Minutes of Board meetings	Complied	Duly perfected minutes of the Board meetings are available with the Board Secretary and those are accessible by any Director at any point in time.
3 (9)	Details of Minutes	Complied	Minutes of all Board meetings are duly recorded in sufficient details and retained by the Board Secretary under the direct supervision of the Chairman.

4. Composition of the Board

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
4 (1)	Number of Directors	Complied	There were nine Directors in the Board as at the end of the financial year.
4 (2)	Period of service of a Director	Complied	Period of service of Non-Executive Directors has not exceeded nine years.

Name of Director	Directorship status	Number of months/years in position as at 31 March 2019
Mr W M R S Dias	Chairman – Independent Non-Executive Director	Completed 4 years and 7 months
Mr W A T Fernando	Independent Non-Executive Director	Completed 8 years and 8 months
Mr D T P Collure	Independent Non-Executive Director	Completed 4 years and 10 months
Mr Senanayakege R Pushpakumara	Independent Non-Executive Director	Completed 2 years

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
4 (3)	Appointment of an employee as a Director	Complied	No such situation has arisen during the year.
4 (4)	Number of Independent Non-Executive Directors	Complied	Board comprised four Independent Non-Executive Directors out of total of nine Directors in the Board as at the end of the financial year.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
4 (5)	Alternate Director	Complied	No such situation has arisen during the year.
4 (6)	Skills and experience of Non-Executive Directors	Complied	All four Non-Executive Directors of the Board possess adequate skills and experience to contribute to the Board in effectively discharging its obligations. The details of experience level of each Non-Executive Director have been set out on pages 70 and 71 in this Report.
4 (7)	Non-Executive Directors in the quorum of the meetings	Complied	Required quorum was maintained at the Board meetings convened during the year and the satisfactory proportion of Non-Executive Directors were present at these meetings.
4 (8)	Directors information	Complied	Composition of the Board by category of Directors, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has been disclosed in this Report on pages 70 and 71.
4 (9)	Appointment of new Directors	Complied	There has been a formal and transparent procedure for the appointment of new Directors to the Board.
4 (10)	Filling a casual vacancy of a Director	Complied	No such situation has arisen during the year.
4 (11)	Resignation/removal of a Director	Complied	All new appointments and resignations are informed to the Director, Department of Supervision of Non-Bank Financial Institutions and also to the Colombo Stock Exchange in a timely manner.
5. Criteria to assess the fitness and propriety of Directors			
5 (1)	Directors over 70 years of age	Complied	As at the end of the financial year, all Directors of the Company were below the age of 70 years. Dr Pratap Ramanujam, Independent Non-Executive Director resigned from the Board w.e.f. 12 December 2018 on reaching 70 years of age.
5 (2)	Holding of office in companies	Complied	Holding of office by the Directors of Senkadagala Finance PLC has been in accordance with this corporate governance requirement.
6. Delegation of functions			
6 (1)	Delegating work	Complied	The Board ensures delegation of authority at various levels does not hinder or reduce its ability as a whole to discharge its functions.
6 (2)	Reviewing of delegation process	Complied	Delegation of authority is being reviewed by the Board as and when necessary.
7. The Chairman and the Chief Executive Officer			
7 (1)	Roles of the Chairman and the CEO	Complied	The roles of Chairman and CEO are segregated and are not performed by the same person.
7 (2)	Chairman is an Independent Non-Executive Director, if not appointing a senior Director	Complied	The Chairman of Senkadagala Finance PLC, Mr W M R S Dias is an Independent Non-Executive Director.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
7 (3)	Relationship between Chairman and CEO and other Directors	Complied	There are no material relationships, including financial, business or family between the Chairman and the CEO and other members of the Board which impair their respective roles and functions as members of the Board.
7 (4)-7 (11)	Role of the Chairman	Complied	Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner. Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. The agenda with notice of meeting is duly circulated to the Directors at least seven days prior to the meeting. All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting. Chairman ensures full and active contribution of all members of the Board and also ensures the Board acts in the best interests of the Company. Chairman does not engage in activities involving direct supervision of Key Management Personnel.
8. Board appointed committees			
8 (1)	Board Committees	Complied	There are four Board-appointed subcommittees namely Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee. Minutes are kept for each of the above committees under the supervision of the Chairman relating to each committee. A report on the performance, duties and functions of each committee has been made available in this Annual Report.
8 (2)	Audit Committee	Complied	Mr W A T Fernando, a qualified Chartered Management Accountant and an Independent Non-Executive Director of the Company acts as the Chairman of the Audit Committee. Other members of the Committee are also Independent Non-Executive Directors and possess multifaceted experience including finance background. The details of the Audit Committee are set out in the Audit Committee report on page 94.
8 (3)	Integrated Risk Management Committee	Complied	IRMC consists of one Independent Non-Executive Director, two Executive Directors including CEO and Key Management Personnel. All key business risks are addressed and assessed on a continuous basis by the IRMC through its periodical meetings. The details of the Integrated Risk Management Committee are given on page 95 of this Annual Report.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
9. Related Party Transactions			
9 (2)	Avoiding conflict of interest in related party transactions and favourable treatments	Complied	There were no such transactions reported during the year. The Board has taken steps to avoid conflict of interest due to related party transactions as well as favourable treatments to related parties. Particulars relating to related party transactions have been disclosed in the Notes to the Financial Statements. The Company has not entered in to any transaction in a manner that would grant the related party “more favourable treatment” than the treatment given for transactions with an unrelated customer. The details of the Related Party Transactions Review Committee are given on page 97 of this Annual Report.
10. Disclosures			
10 (1) (a)	Financial reporting as per regulatory requirements and applicable accounting standards	Complied	Relevant Financial Statements are published in conformity with regulatory requirements and applicable accounting standards.
10 (1) (b)	Publishing financial reports in Sinhala, Tamil and English newspapers	Complied	Financial Statements are published in all three languages in the newspapers.
10 (2)	Disclosures in the Annual Report	Complied	(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 is given on page 112. (b) Statement of internal control by the Board is given on page 119. (c) The statement referred to in Section (b) above has been certified by Messrs KPMG, External Auditor of the Company. (d) Names and other information of Directors are provided on pages 70 and 71. (e) Fees and remuneration paid by the Company to the Directors in aggregate is given on pages 113 and 210 of the Financial Statements. (f) There were no accommodations granted to related parties during the year. (g) The details of aggregate values of remuneration paid by the Company to its Key Management Personnel are disclosed on page 210. (h) There were no non-compliances to prudential requirements, regulations, laws and internal controls. (i) There were no regulatory and supervisory concerns on lapses in the finance Company’s risk management, non-compliance with the Act, and rules and directions that have been communicated by the Director of NBFI and directed by the Monetary Board to be disclosed to the public. (j) The External Auditor of the Company has submitted a factual finding report on the corporate governance status and its compliance with Directions issued by the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

The Continuing Listing Requirements, Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)

Section 7.10 of the CSE Listing Rules requires a listed entity to publish in the Annual Report relating to the financial year commencing on or after 1 April 2007 a statement confirming that as at the date of the Annual Report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply. The rule addresses the areas such as Non-Executive Directors, Independent Directors, disclosures relating to Directors, criterion for defining Independence, Remuneration and Audit Committees. Following table depicts the level of compliance of the Company under each area.

CSE rule	Corporate governance principle	Compliance status	Level of compliance
7.10.1	Non-Executive Directors	Complied	There were four Non-Executive Directors and it was more than one-third of the Board of Directors.
7.10.2	Independent Directors	Complied	All four Non-Executive Directors were Independent Directors as well. Non-Executive Directors have submitted the signed declarations of their independence.
7.10.3	Disclosures relating to Directors	Complied	Annual determinations as to the independence of Directors have been made and disclosed in the Annual Report. (Refer directorship status under Board and Committee meetings-attendance on page 93). A brief profile of each Director has been set out on pages 70 and 71. Information relating to new appointments to the Board is disclosed to the CSE, when appointments are made to the Board.
7.10.4	Criteria for defining independence	Complied	All criteria given in determining the independence of Directors have been taken in to consideration for the determination of independence status of the Company's Independent Directors.
7.10.5	Remuneration Committee	Complied	The Remuneration Committee solely consists of Independent Non-Executive Directors and the MD/CEO attends the meeting by invitation. The report of the Remuneration Committee including its policy and scope has been set out on page 96 of this Annual Report.
7.10.6	Audit Committee	Complied	The Audit Committee consists of three Independent Non-Executive Directors. The report of the Audit Committee including its composition, policy and scope has been set out on page 94 of this Annual Report.

Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

This voluntary code consists of seven fundamental principles, namely Directors, Directors' Remuneration, Relations with Shareholders, Accountability and Audit, Institutional Investors, Other Investors and Sustainability Reporting. The level of adoption of the best practices mentioned under each fundamental principle is depicted below:

Number	Corporate governance principle	Adoption status	Level of adoption
A Directors			
A.1 The Board			
Senkadagala Finance is headed by an effective Board which directs, leads and controls the Company.			
A.1.1	Board meetings	Adopted	Board met 12 times during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 93.
A.1.2	Board responsibilities	Adopted	The Board of Directors of Senkadagala Finance is responsible for the following: – Formulating, implementing and executing a sound business strategy. – Ensuring CEO and the Management Team possesses the skills, experience and knowledge to devise the strategy. – Having a proper succession plan for the Key Management Personnel including CEO. – Securing integrity of information, prudent management of risks, designing effective internal controls and, ensuring business continuity. – Ensuring compliance with laws and regulations. – Considering all stakeholder interests in the corporate decision-making process. – Recognising sustainable business development in Company's strategy, decisions and other activities. – Company's values and standards are set with emphasis on adopting appropriate accounting policies.
A.1.3	Independent professional advice	Adopted	Independent professional advice could be obtained by the Directors as and when required at the Company's expense.
A.1.4	Access to the Company Secretary	Adopted	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. There has not been any instance where there is a requirement to remove the secretaries of the Company.
A.1.5	Independent judgement of Directors	Adopted	Directors bring independent judgement and scrutiny on decisions taken by the Board on issues of strategy, performance, resources and standard of its business conduct.
A.1.6	Directors' dedication of adequate time and efforts	Adopted	Board of Directors of the Company dedicates sufficient time to review Board papers and call for additional information and clarifications, if required. Also follows up on actions taken for issues discussed at the meetings.

Number	Corporate governance principle	Adoption status	Level of adoption
A.1.7	Training for Directors	Adopted	All Directors are given the opportunity to get trained. Specific training on financial services industry is also available by way of presentations to the Board and attending seminars such as Directors' symposium at CBSL, etc.

A.2 Chairman and Chief Executive Officer

In Senkadagala Finance PLC, Chairman is responsible for conducting the business of the Board while MD/CEO of the Company is responsible for conducting the business of the Company.

A.2.1	Key tasks of Chairman and CEO	Adopted	The roles of the Chairman and the MD/CEO have been separated to ensure that no individual has unfettered powers of decision-making.

A.3 Chairman's role

Chairman of the Company is responsible for effective conduct of the Board as to preserve the order and good corporate governance.

A.3.1	Role of the Chairman	Adopted	The Chairman who is an Independent Non-Executive Director ensures effective discharge of Board functions through: – Having monthly Board meetings with adequate notice preserving the agenda prepared by the Company Secretary under his close supervision. – Ensuring effective participation of both Executive and Non-Executive Directors in the decision-making process while maintaining the balance of power among them. – Encouraging effective contribution of all the Directors' respective capabilities towards the benefit of the Company. – Obtaining views of all Directors for issues under consideration. – Ensuring that the Board is in complete control of the Company's affairs and alerts to its obligations to shareholders while maintaining proper communication with all the stakeholders.

A.4 Financial acumen

The Board of the Company consists of members with sufficient financial acumen and knowledge to offer guidance on matters of finance.

A.4	Availability of sufficient financial acumen and knowledge	Adopted	The Board includes fellow members of both local and international professional accounting bodies. (The details of qualifications of Directors are given on pages 70 and 71). These Directors are having sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.

A.5 Board balance

The Board of the Company consists of four Non-Executive Directors and five Executive Directors.

A.5.1	Ratio of Executive and Non-Executive Directors	Adopted	A ratio in excess of the requirement ensures that the Board decisions are taken impartially. The roles of the Chairman and the MD/CEO are not vested in one person.

Number	Corporate governance principle	Adoption status	Level of adoption
A.5.2	Independent Directors	Adopted	All the Non-Executive Directors are independent and within the requirements of the Code.
A.5.3	Mode of Independence	Adopted	All Independent Directors are independent of management and free of business relationships so that they could exercise their unfettered and independent judgement over decisions without any material interference.
A.5.4	Declaration of Independence	Adopted	All Independent Non-Executive Directors submit their annual declarations as to their independence against the specified criteria.
A.5.5	Determination of independence of the Directors by the Board	Adopted	The Board determines that the submission of declaration by the Independent Directors as to their independence is a fair representation and continues to evaluate it annually.
A.5.6	Alternate Director	Not applicable	The requirement for appointing an Alternate Director has not arisen during the year.
A.5.7 and A.5.8	Senior Independent Director	Not applicable	Such situation has not arisen as roles of Chairman and MD/CEO have been clearly separated.
A.5.9	Meetings with Non-Executive Directors	Adopted	The Chairman can meet with Non-Executive Directors without the presence of Executive Directors if necessary twice a year when Non-Executive Directors meet the External Auditor without Executive Directors being present as per the requirement under CBSL Direction on Corporate Governance.
A.5.10	Recording of concerns in Board minutes	Not applicable	There have been no concerns about the matters of the Company which could not be resolved unanimously. All matters taken up for discussion were resolved through unanimity at Board meetings.

A.6 Supply of information

Company has provided appropriate timely information to the Board enabling it to discharge its duties effectively.

A.6.1	Information to the Board by Management	Adopted	Management provides appropriate and timely information to the Board and Board calls for further information where necessary. The Chairman ensures all Directors are provided with all necessary information pertaining to the issues discussed at Board meetings.
A.6.2	Notice of Board meetings	Adopted	The Board Papers including previous meeting minutes and agenda are sent to the Directors, minimum seven days before the respective Board meeting. This would give adequate time for Directors to study the related matters and get ready for effective discussion at Board meetings.

Number	Corporate governance principle	Adoption status	Level of adoption
A.7 Appointments to the Board			
There should be a formal and transparent procedure on new appointments to the Board.			
A.7.1	Nomination Committee	Not Adopted	The Board as a whole decides on the selection of new Directors.
A.7.2	Assessment of Board composition	Adopted	The Board as a whole annually assesses the Board composition, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. Findings of the assessment of the Board are considered for new Board appointments and re-election of Directors.
A.7.3	Disclosure of details of new Directors to shareholders	Adopted	When appointing a new Director to the Board, a brief profile of the Director, experience and skills, other directorships, status of independence, etc., are disclosed not only to the shareholders but also to the general public as per the requirements under CSE Listing Rules.
A.8 Re-election			
All Directors should be required to submit for re-election at regular intervals and at least once in every three years			
A.8.1	Appointment of Non-Executive Directors	Adopted	Non-Executive Directors are only appointed for a period of nine years with the age limit of seventy.
A.8.2	Election of Directors	Adopted	Appointment and reappointment of all Directors including the Chairman of the Board is subject to election by shareholders.
A.9 Appraisal of Board performance			
Board performance is evaluated annually in order to ensure satisfactory discharge of its responsibilities.			
A.9.1 and A.9.2	Appraisal of Board performance and annual self-evaluation of Board performance and its committees	Adopted	A formal Board performance evaluation process has been implemented and it is carried out annually. A checklist has been introduced for this purpose and it is filed with minutes of the Board meetings by the Secretary.
A.9.3	Mode of Board performance appraisal	Adopted	Board performance evaluation is being carried out as detailed in above Sections A.9.1 and A.9.2.
A.10 Disclosure of information in respect of Directors			
Details of Directors should be made available for the shareholders.			
A.10.1	Disclosure of details of Directors in the Annual Report	Adopted	The name, qualifications and the brief profiles including nature of expertise of all the Directors have been set out on pages 70 and 71 in this Report. Please refer the table given on page 93 for directorship status, Board meeting and other committee meeting attendance by the Directors of the Company.

Number	Corporate governance principle	Adoption status	Level of adoption
A.11 Appraisal of Chief Executive Officer (CEO)			
Performance of CEO is to be assessed at least annually to see whether the Company has achieved the objectives set by the Board.			
A.11.1	Financial and non-financial targets for the CEO	Adopted	At the commencement of the financial year, reasonable financial and non-financial targets for the CEO are set by the Board in consultation with the CEO in line with short, medium and long-term objectives of the Company.
A.11.2	Evaluation of the performance of CEO	Adopted	The Board periodically assesses the performance of the Company to ensure its short, medium and long-term objectives are achieved against its targets set and approved by the Board.
B Directors' remuneration			
B.1 Remuneration procedure			
Company should have a well-established, formal and transparent procedure for developing an effective policy on Executive remuneration and remuneration packages for individual Directors where no Director is involved in deciding his/her own remuneration.			
B.1.1	Remuneration Committee	Adopted	A Remuneration Committee has been set up to make recommendations to the Board on the Company's remuneration framework. Details have been given on page 96, in the report of the Remuneration Committee.
B.1.2	Composition of the Remuneration Committee	Adopted	All the members of the Remuneration Committee are Independent Non-Executive Directors.
B.1.3	Disclosures in the Annual Report	Adopted	Details of the members and the Chairman of the Remuneration Committee have been given on page 96 of this Annual Report under report of the Remuneration Committee.
B.1.4	Remuneration of the Non-Executive Directors	Adopted	The Board as a whole decides on the remuneration of the Non-Executive Directors.
B.1.5	Consultation of the Chairman or the CEO and access to professional advice	Adopted	Remuneration Committee consults the Chairman about its proposals where necessary. CEO attends the Remuneration Committee meetings by invitation. External professional advice is obtained where necessary in determining the remuneration of the Directors and senior level staff members.
B.2 The level and make up of remuneration			
The Code requires the Board to establish the levels of remuneration for both Executive and Non-Executive Directors which should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of the Executive Directors remuneration should be structured to link rewards to corporate and individual performance			
B.2.1	Remuneration of Executive Directors	Adopted	The remuneration framework of the Executive Directors has been designed to attract, retain and motivate them of the quality required and avoid paying more than what is necessary for the purpose.
B.2.2	Positioning remuneration levels of the Company	Adopted	The Remuneration Committee in deciding the remuneration levels of the Company takes account of such levels in comparable companies while paying attention to its relative performance.

Number	Corporate governance principle	Adoption status	Level of adoption
B.2.3	Comparison of remuneration with other companies in the Group	Not applicable	This is not applicable as there are no units comparable for this purpose within the Group.
B.2.4	Inclusion of performance-related elements in the remuneration	Adopted	Performance-related elements have been included in the design of remuneration packages of the Company at all levels.
B.2.5	Executive share options	Not applicable	There are no share option plans for Executives.
B.2.6	Designing the remuneration	Adopted	The Remuneration Committee has considered the provisions given in Schedule E to this Code in designing the remuneration schemes of the Company.
B.2.7	Early termination of Directors	Adopted	Such situation has not arisen during the year. However, Remuneration Committee is aware that it should consider the compensation commitments given in the contracts of employment of Executive Directors, if any, in case of early termination, other than in the case of removal for misconduct.
B.2.8	Early termination where compensation commitment not included in the initial contract	Adopted	Such situation has not arisen during the year. However, Remuneration Committee is aware that in case of an early termination, it should tailor their approach with the aim of fair dealing with regard to compensation commitments for those who have performed well, if the initial contract does not explicitly provide for such commitments.
B.2.9	Remuneration for Non-Executive Directors	Adopted	Non-Executive Directors' remuneration has been calculated to reflect time commitment, responsibilities of their role and market practices. No share options available for Non-Executive Directors.

B.3 Disclosure of remuneration

The Company should disclose the remuneration policy and the details of remuneration of the Board as a whole in the Annual Report.

B.3.1	Disclosure of remuneration	Adopted	The Remuneration Committee's Report setting out the policy and scope of the Committee is given on page 96. The remuneration paid to the Board of Directors is disclosed in aggregate in Note 45.1 to the Financial Statements on page 210.

C Relations with shareholders

C.1 Constructive use of the Annual General Meeting and conduct of General Meetings

Board should use the Annual General Meeting to communicate with shareholders and encourage their participation.

C.1.1	Use of proxy votes	Adopted	The Company has adopted a methodology to count all proxy votes and to indicate the level of proxies lodged on each resolution if any.
C.1.2	Separate resolutions for separate issues	Adopted	A separate resolution is proposed for the adoption of Financial Statements and the shareholders are given the opportunity to vote separately for each substantially separate issue by having separate resolutions, if any.

Number	Corporate governance principle	Adoption status	Level of adoption
C.1.3	Availability of Board Subcommittee Chairmen at the AGM	Adopted	The Chairman of the Board ensures that Chairmen of all Subcommittees namely, Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee to be present at the AGM to answer questions raised at the AGM.
C.1.4	Adequate notice of the AGM	Adopted	Notice of the AGM is given as per the requirements of the Companies Act No. 07 of 2007.
C.1.5	Procedure of voting at General Meetings	Adopted	Notice and the summary of the procedures governing voting at the meeting including any other business to be transacted at the meeting are circulated to the shareholders along with the Annual Report.

C.2 Communication with shareholders

Board should implement effective communication with shareholders.

C.2.1	Channel to reach all shareholders of the Company	Adopted	The Annual Report and the AGM form the primary channels of communication. Shareholders are given the Annual Report with adequate time to raise any issues at AGM based on the information published therein. Moreover interim reports, stock exchange announcements, etc. also form part of effective communication as those are available in the respective websites and in the Company website.
C.2.2	Policy and Methodology for communication with shareholders	Adopted	The Company has adopted an open communication policy with its stakeholders by making available timely, relevant and accurate information with fair disclosures.
C.2.3	Disclosure of implementation of the above Policy and Methodology	Adopted	Printed Annual Reports are sent along with the Notice of the AGM. Annual Report, Interim Financial Statements and CSE announcements are published in respective institution's website and the Company website.
C.2.4	Contact person for communication	Adopted	The Directors and the Senior Management could be contacted by the shareholders. The contact details are available in the Company's website and also for any questions, requests and comments, Shareholders may at any time contact the Company Secretary.
C.2.5 and C.2.6	Communication by the shareholders with the Company	Adopted	The Company Secretary receives all the correspondence and deliver to the Board or relevant individual Director at the earliest possible time.
C.2.7	The process for responding to shareholders' matters	Adopted	Through the Company's Board Secretary the Board or individual Director/s will respond to shareholders' matters.

C.3 Major and material transactions

Directors should disclose all major and material transactions to shareholders.

C.3.1	Major transactions	Not applicable	Company did not enter into or committed to any "major transaction" during the financial year.

Number	Corporate governance principle	Adoption status	Level of adoption
D. Accountability and audit			
D.1 Financial and business reporting (The annual report)			
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
D.1.1 and D.1.2	Board's responsibility for statutory and regulatory reporting	Adopted	Interim and annual Financial Statements, other price sensitive public reports, reports to regulators and reports required as per statutory requirements have been presented as per the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, other Regulatory Authorities such as the Central Bank of Sri Lanka, Colombo Stock Exchange and Department of Inland Revenue.
D.1.3	Board's responsibility to obtain relevant declarations from CEO and CFO on the Financial Statements	Adopted	"Annual Report of the Board of Directors" given on pages 112 to 118 describes the level of compliance with the requirements of this section.
D.1.4	Declarations in the Director's Report	Adopted	The Directors have made all their declarations in the "Annual Report of the Board of Directors" given on pages 112 to 118.
D.1.5	Statement of Directors' and Auditors responsibility for Financial Statements and Statement on Internal Controls	Adopted	The Statement of "Directors' Responsibility for Financial Reporting" is given on page 113 of the Annual Report. Auditor's reporting responsibility is given in their report on the Financial Statements on pages 120 to 125. The Directors' Statement on Internal Controls is given on page 119 and Auditor's certification on the Directors' Statement on Internal Controls is given on page 119.
D.1.6	Management Discussion and Analysis in the Annual Report	Adopted	Pages 14 to 67 of this Annual Report contains the Management Discussion and Analysis.
D.1.7	Requirement for calling EGM if the net assets fall below 50% of the shareholders' funds	Not applicable	Such situation has not arisen during the year. However, should the situation arise, an EGM will be called for and Shareholders will be notified.
D.1.8	Disclosure of Related Party Transactions in the Annual Report	Adopted	The Board ensures that the related party transactions are properly captured in to the system of accounts, keep proper records on them and make necessary disclosures in the Financial Statements accordingly.
D.2 Risk management and internal control			
The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and Company's assets.			
D.2.1	Annual review of risks and the effectiveness of the internal control system	Adopted	The Board is responsible for establishing a sound framework of risk management and internal controls. Further, it has to be monitored for its effectiveness on a continuous basis. Integrated Risk Management Committee has been set up by the Board in order to look after the risk aspects of the Company and report any concerns to the Board. IRMC report is given on page 95. The Directors' Statement on Internal Controls is given on page 119.

Number	Corporate governance principle	Adoption status	Level of adoption
D.2.2	Risk assessment	Adopted	Risk Management report on pages 98 to 109 describes the compliance to the requirement of this section
D.2.3	Internal audit function	Adopted	The Company's internal audit function is assisted by outsourcing mainly its branch audits to Messrs Ernst & Young Advisory Services (Pvt) Ltd. Further, to coordinate the function well and to carry out special assignments and investigations, Company's Internal Auditor also has been appointed by the Audit Committee.
D.2.4	Review of process and effectiveness of risk management and internal controls	Adopted	Internal audit carries out regular reviews on the internal controls and reports to the Audit Committee. Audit Committee once satisfied reports to the Board on the effectiveness of the internal control systems and based on that the Board issues "Directors' Statement on Internal Control" report which is given on page 119. The External Auditor reviews this statement independently and certifies.
D.2.5	Responsibilities of Directors in maintaining a sound internal control system	Adopted	This has been stated in the "Directors' Statement on Internal Controls" on page 119.

D.3 Audit Committee

The Board should establish formal and transparent arrangements in selecting and applying accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

Number	Corporate governance principle	Adoption status	Level of adoption
D.3.1	Composition of the Audit Committee	Adopted	The Audit Committee comprises three Independent Non-Executive Directors including its Chairman. Audit Committee Report is given on page 94 on this Annual Report.
D.3.2	Terms of Reference of the Audit Committee dealing with its authority and duties	Adopted	The Audit Committee monitors and reviews the scope and results of the audits and its effectiveness, independence and objectivity of the Auditors. The Committee has formulated a policy for the engagement of the External Auditor for non-audit services with the approval of the Board. The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls, risk management and functions relating to internal and external audit.

Number	Corporate governance principle	Adoption status	Level of adoption
			The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act. No 7 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and make recommendations to the Board of Directors on matters regarding the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.
D.3.3	Disclosures of the Audit Committee	Adopted	The names of the members of the Audit Committee are given in the Audit Committee Report on page 94. The Audit Committee has undertaken annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process and is satisfied as disclosed in the Audit Committee Report on page 94.

D.4 Related Party Transactions Review Committee

The Board should establish a procedure to ensure that the Company does not engage in transactions with related parties with the view of granting more favourable treatment than that accorded to third parties in the normal course of business.

D.4.1	Definitions of "Related Party" and "Related Party Transactions"	Adopted	LKAS 24 definitions have been adopted in formulating the policy on related party transactions of the Company.
D.4.2	Composition of the Related Party Transactions Review Committee	Partially Adopted	The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors including its Chairman. Related Party Transactions Review Committee Report is given on page 97 of this Annual Report.
D.4.3	Terms of Reference of the Related Party Transactions Review Committee dealing with its authority and duties	Adopted	The Company has a Board-approved Related Party Transactions Policy in place which addresses requirements under this section. Related Party Transactions Review Committee Report is given on page 97 of this Annual Report.

D.5 Code of Business Conduct and Ethics

Company must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any deviations from that code.

D.5.1	Code of Business Conduct and Ethics	Adopted	Senkadagala Finance has incorporated in its HR code as well as in other manuals of operations, areas such as addressing of conflicts of interest, conditions in receiving gifts or any other benefits, accountability, confidentiality of information, record keeping, corporate opportunities, fair dealing, protection and proper use of the Company's assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behaviour.

Number	Corporate governance principle	Adoption status	Level of adoption
D.5.2	Ensuring price sensitive information is promptly identified and reported	Adopted	Company has a process to ensure timely disclosure of price sensitive information as per the CSE regulations.
D.5.3	Share purchase by Directors and Key Management Personnel	Adopted	Relevant disclosures have been made as per the requirement of this code.
D.5.4	Affirmation of the Code of Conduct and Ethics	Adopted	The Chairman hereby confirms that he is not aware of any material violations of the terms and conditions contained in above mentioned Code of Conduct and Ethics.

D.6 Corporate governance disclosures

Company should disclose the extent of adherence to principles and practices of good Corporate Governance.

D.6.1	Corporate Governance Report	Adopted	This report from pages 72 to 93 satisfies the requirement.

E. Institutional investors

E.1 Shareholder voting

Institutional shareholders have a responsibility to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.

E.1.1	Communication with institutional shareholders	Adopted	Mainly the AGM is used for effective communication with the shareholders. The Chairman communicates the views and queries of the shareholders to the Board and the Senior Management.

E.2 Evaluation of governance disclosures

Company should encourage institutional investors to give due weight age to all relevant factors drawn to their attention when evaluating the governance arrangements of the Company, particularly those relating to Board structure and composition.

E.2	Evaluation of the Corporate Governance arrangements	Adopted	When evaluating the Company's Corporate Governance arrangements, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention particularly in the Board structure and composition.

F. Other investors

F.1 Investing/Divesting decision

Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing and divesting decisions.

F.1	Individual investors investing/divesting decisions	Adopted	Company by disclosing all required information that would be useful for individual shareholders, encourage them to carry out adequate analysis or seek independent advice on investing or divesting decisions.

F.2 Shareholder voting

Individual shareholders should be encouraged to participate and exercise their voting rights in General Meetings.

F.2	Individual shareholders' voting rights	Adopted	The Company sends adequate notices to all shareholders encouraging them to participate at General Meetings and this adequate time allows them to be prepared to duly exercise their voting rights.

Number	Corporate governance principle	Adoption status	Level of adoption

G. Internet of things and cybersecurity

G.1-G.5 Company ensures authorised access to all internal and external networks. DGM IT acts as the CISO of the Company. Company is in the process of formulating a policy as per the requirement of the code and it will be finalised with the completion of the Oracle Project.

H. Environment, society and government

Company has a policy on its environmental and social management system which covers IFC exclusion list and other applicable national and provincial laws on environment, health, safety and social issues.

Board and Committee Meetings – Attendance

Name	Directorship status	Board	Audit Committee	Integrated Risk Management Committee**	Remuneration Committee	Related Party Transactions Review Committee
Number of meetings held		12	04	04	04	04
Mr W M R S Dias	Chairman Independent Non-Executive Director	11/12*	–	–	–	–
Dr P Ramanujam (Resigned w.e.f. 12 December 2018)	Deputy Chairman Independent Non-Executive Director	08/08	03/03	–	03/03	03/03
Mr L Balasuriya	Managing Director/Chief Executive Officer Executive Director	12/12	04/04	04/04	04/04	–
Dr A Balasuriya	Director – Operations Executive Director	10/12	–	–	–	–
Dr M Balasuriya	Director – Planning Executive Director	11/12	–	–	–	–
Ms L Fernando	Director – Human Resources Executive Director	12/12	–	–	–	–
Mr W A T Fernando	Independent Non-Executive Director	12/12	04/04	–	–	–
Mr Senanayakege R Pushpakumara	Independent Non-Executive Director	11/12	03/04	–	03/04	–
Mr D T P Collure	Independent Non-Executive Director	12/12	04/04	04/04	04/04	04/04
Mr S D Bandaranayake	Director/Additional Chief Executive Officer Executive Director	12/12	04/04	04/04	04/04	04/04

**Attended/Eligible to attend*
***Key Management Personnel attended the meetings on invitation*

Report of the Audit Committee

The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and make recommendations to the Board of Directors on matters regarding the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.

Composition

The Audit Committee comprised following Directors:

- Mr W A T Fernando (FCMA) (MA, Colombo) – Independent Non-Executive Director – Chairman of the Audit Committee
- Mr D T P Collure – Independent Non-Executive Director
- Mr Senanayakege R Pushpakumara – Independent Non-Executive Director
- Dr P Ramanujam – Independent Non-Executive Director, who resigned w.e.f. 12 December 2018

Mr L Balasuriya – Managing Director/CEO and Mr S D Bandaranayake – Executive Director/Additional Chief Executive Officer attend meetings of the Audit Committee by invitation.

(Brief profiles of the Directors are set out on pages 70 and 71 of this Annual Report).

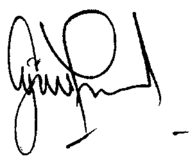
Other Senior Managers of the Company also attend the Committee meetings whenever their presence is requested.

Policy and scope

The Committee discharges its responsibilities through a series of meetings during the year. At these meetings, the Committee reviews the reports of Internal Auditors and External Auditors of the Company and interim and final Financial Statements of the Company ensuring their compliance with statutory and other requirements. The number of meetings and attendance by the Committee members at each of those meetings are given in the table on page 93 of the Annual Report.

The Committee has reviewed the independence, objectivity and performance of the internal audit function and the adequacy of its resources. The findings of internal audits, their evaluation of Company's internal control systems and level of risks pertaining to those findings, effectiveness of implementation of audit recommendations were thoroughly reviewed and discussed at the meetings and accordingly, the Committee advised the Board on matters of high significance.

The Audit Committee has undertaken the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. Also the Audit Committee had meetings with the External Auditors without the presence of Executive Directors as per the corporate governance requirements.



W A T Fernando
Chairman
Audit Committee

19 June 2019

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee was formed in order to assess the overall risk faced by the Company mainly credit, market, liquidity, operational, strategy, and other statutory and regulatory risks.

Composition

The Integrated Risk Management Committee comprised the following Directors:

- Mr S D Bandaranayake – Executive Director/ Additional CEO – Chairman of the Committee
- Mr L Balasuriya – Executive Director, CEO/Managing Director
- Mr D T P Collure – Independent Non-Executive Director

(Brief profiles of the Directors are set out on pages 70 and 71 of this Annual Report).

Senior Management representatives who attend the meetings are:

- Mr P Ikiriwatte – Deputy CEO
- Mr J Jayatilake – GM – Operations
- Mr T De Silva – DGM – IT
- Mr T K Aturupana – AGM – Accounts
- Mr A D Hettiarachchi – AGM – Credit Control
- Mr N Rasingolla – AGM – IT
- Mr S D R S Fernando – AGM – Personnel and Administration
- Mr N Karunaratne – AGM – Legal/Customer Services
- Mr K Rajapaksa – Chief Financial Officer
- Mr S Supramaniam – Chief Manager – Treasury
- Mr L Perera – Manager – Foreign Currency
- Mr T Ranathunga – Chief Manager – Risk and Audit

Policy and scope

The Committee meets on a regular basis and minutes are maintained to ensure timely and adequate follow-up. Remedial actions are taken to address the areas of high significance. The policies and the scope of activities of the Committee are as follows:

- Assessing all risks, including credit, market, liquidity, operational, and strategic risk on a continuous basis using specific risk indicators through the Company's reporting systems
- Ensuring the level of current risks of the Company is within the prudent levels acceptable to the Management based on the Company's risk appetite and the regulatory and supervisory requirements
- Taking appropriate remedial actions to mitigate the effects of specific risks in case such risks are beyond the prudent and acceptable levels on the basis of the Company's policies, procedures and regulatory requirements
- Review of the portfolio on a business line basis such as product, region, sector, etc. to evaluate trends
- Review of the performance branch wise, district wise, and region wise in evaluating the branch expansion criteria
- Reviewing any compliance related matters with applicable laws and regulations

S D Bandaranayake
Chairman
Integrated Risk Management Committee

19 June 2019

Report of the Remuneration Committee

The Remuneration Committee has been set-up to determine the human resources and remuneration policies relating to Directors, the Managing Director/ CEO and other Key Management Personnel of the Company.

Composition

- Mr D T P Collure – Independent Non-Executive Director, Chairman of the Remuneration Committee
- Mr Senanayakege R Pushpakumara – Independent Non-Executive Director
- Dr P Ramanujam – Independent Non-Executive Director, who was the Chairman of this Committee, resigned w.e.f. 12 December 2018 on reaching 70 years of age

Mr L Balasuriya – Managing Director/CEO and Mr S D Bandaranayake – Executive Director/Additional Chief Executive Officer, attend meetings of the Remuneration Committee by invitation.

(Brief profiles of the members of the Committee are set out on pages 70 and of 71 this Annual Report).

Policy and scope

The Company's remuneration policy aims to attract, motivate, and retain talent in a highly competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company. The Company remuneration framework for the Managing Director/ CEO and the Corporate Management team is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between short and long-term interests of the Company. The Committee reviews all significant human resource policies and initiatives, salary structures, and terms and conditions relating to staff at executive level. The Committee deliberates upon and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Managing Director, members of the Corporate Management team and senior staff.

Fees

All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on subcommittees.

Committee meetings

Number of meetings and attendance of the members of such meetings are set out on page 93 of this Annual Report.

Access to professional advice

The Committee is authorised to seek external professional advice as and when it deems necessary.

D T P Collure
Chairman
Remuneration Committee

19 June 2019

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee has been set up by the Board of Directors in order to strengthen the process of identifying, recording and reporting of related party transactions which in turn ensure strict compliance with the rules and regulations governing Related Party Transactions of Listed Entities and thus improve its internal control mechanisms.

Composition

- Mr D T P Collure – Independent Non-Executive Director, Chairman of the Related Party Transactions Review Committee
- Mr Senanayakege R Pushpakumara – Independent Non-Executive Director
- Mr S D Bandaranayake – Executive Director/ Additional Chief Executive Officer
- Dr P Ramanujam – Independent Non-Executive Director, who was the Chairman of this Committee, resigned w.e.f. 12 December 2018 on reaching 70 years of age.

Mr K Rajapakshe – Chief Financial Officer and Mr T Ranathunga – Chief Manager Risk and Audit attend the meeting by invitation

Policy and scope

With the approval of the Board, Company has adopted a policy on Related Party Transactions of the Company that gives necessary guidelines in recognising, recording and reporting of such transactions. It helps to determine whether related party transactions that are to be entered into by the Company require the approval of the Board or shareholders of the Company. Further the policy ensures that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee. Also it ensures that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

Related party transactions during 2018/19

During the year 2018/19, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions of the Company during the above period are disclosed in Note 45 to the Financial Statements.

Committee meetings

The number of meetings and attendance of the members of such meetings are set out on page 93 of this Annual Report.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction which exceeds the threshold levels mentioned in the Listing Rules was entered into by the Company during 2018/19 is given on page 113 of the Annual Report.

D T P Collure
Chairman
Related Party Transactions Review Committee

19 June 2019

Risk Management

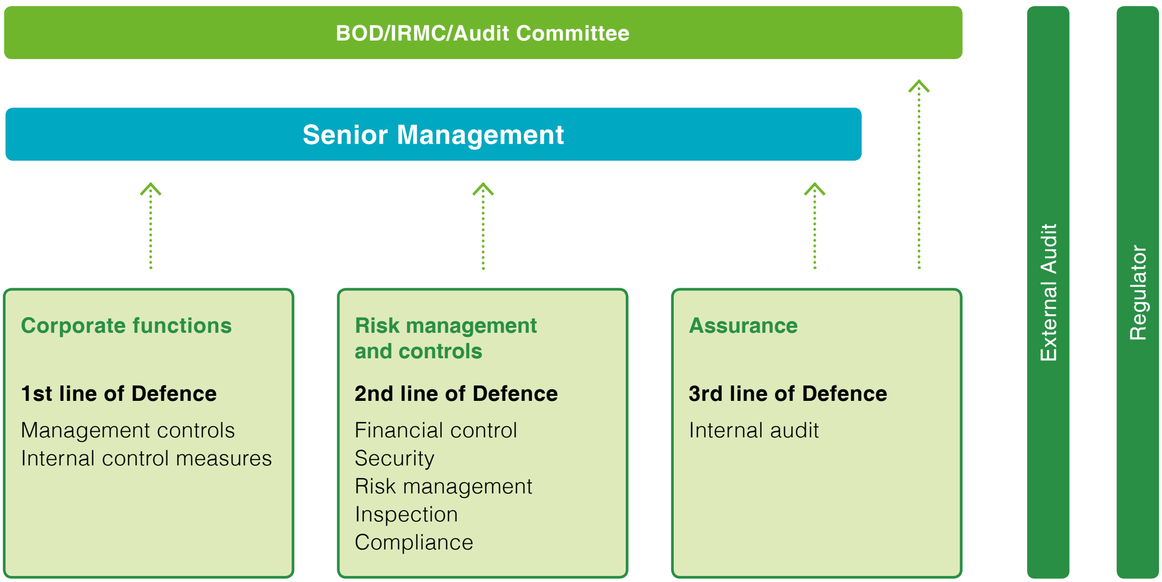
Effective risk management and sound governance are critical factors for financial institutions, as their business model is centred on financial intermediation and maturity management. Materialisation of risks could result in an outcome which is different from the expected outcome, severity of which could affect business continuity altogether. Hence, effective risk management is paramount in generating optimum returns and creating sustainable growth in finance business.

Developments in the business environment such as technological developments, cybersecurity concerns and threats, tightened regulations and supervisory controls, volatile economic conditions and behaviour of competitors continue to create new challenges to organisations. Social developments such as demographics changes, changes in customer perceptions, dynamic customer requirements also enhance the imminent risks associated with strategic decision-making, emphasising the importance of having robust risk management systems to tackle emerging risk factors.

Risk management framework

The Company has in place a robust risk management framework to ensure all risk exposures are meticulously managed. The framework allows managers/ experts in internal controls, risk management, compliance and auditing functions to assist the Corporate Management in forming a cohesive risk governance structure.

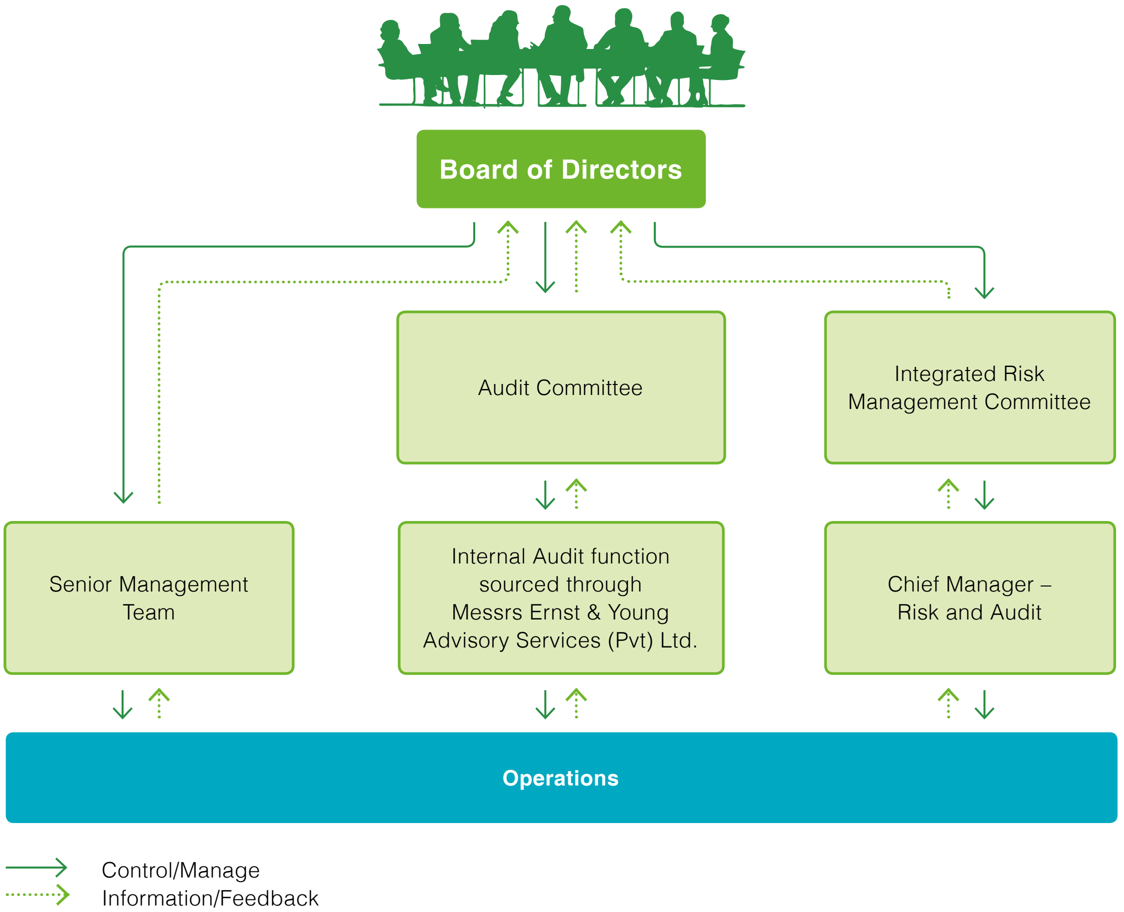
The three tiered risk management structure adopted by the Organisation allows it to tackle risks in a systematic manner. This has provided a simple but effective structure which has enhanced clarity regarding risk and controls that resulted in an effective risk management system.



Risk governance

Senkadagala Finance adopts a holistic approach to risk management. Hence, the primary role of risk governance is assumed at the Board level, as the Board holds the ultimate responsibility for risk management.

The overall risk strategy is defined and the corporate risk objectives are set at this level. Also, the Board ensures that the corporate strategy and the risk strategy are aligned to optimise the risk return trade-off.



The Integrated Risk Management Committee (IRMC), a subcommittee of the Board assesses the effectiveness of the overall risk strategy of the Company in the context of changes in the global and the local environment and recommends effective risk management policies to safeguard stakeholder interests. The senior managers and department heads attend the IRMC on invitation; this enables a constructive dialogue on the effectiveness of the risk management procedures, current business activities and operations in the context of risk and developments in the external and internal environment that helps identify emerging risks.

The IRMC recommends the Directors on the course of action to be taken to counter potential and emerging risks. The suggestions from these meetings are presented to the Board in order to further strengthen the risk management framework of the Company. The Board orchestrates the corporate risk functions including the risk appetite of the entity and the risk management controls and policies based on the recommendations. The Board also ensures the internal control systems are adequate and organisational culture is geared towards creating risk awareness.

Risk objectives of Senkadagala Finance

- Identify, measure and control potential risks that hinder the profitability of the entity.
- Manage the financial position in order to strike a balance between assets and liabilities to optimise the value creation for the entity.
- Ensure that adequate controls are in place to curtail downside of risk, while maximising returns.

Risk management controls, policies and procedures

Corporate risk objectives are communicated to the operational level staff by way of risk controls, policies, and procedures, which are geared towards fine-tuning the risk appetite of the entity and prompting a risk culture within the Organisation. Controls are regularly streamlined to identify and counter day-to-day risks as well as long-term strategic risks. The responsibility of managing these risks within tolerable limits is shared among the risk assuming managers and the higher level Management. This collective approach has enabled the Company to establish an effective risk management framework.

Periodic reports are submitted to IRMC meetings assessing the risk indicators against the risk parameters and tolerance levels of the entity. Reasons for variances are discussed, while evaluating suggestions to control such deviations. Effects of environmental developments are explored and control measures are implemented to mitigate emerging risks.

Independent assurance

Senkadagala Finance has a continuous internal audit process, utilising the co-sourced services of Messrs Ernst & Young Advisory Services (Pvt) Ltd., reporting directly to the Audit Committee and the Board of Directors. Monthly reports are submitted, communicating deviations from the standard operating procedures, misconducts and lapses in the internal control process, while identifying the severity of impact. The presence of continuous monitoring and assurance by external experts enable the Management to assess the adequacy of the internal controls and the overall risk management policies.

In addition, the External Auditors review the adequacy of controls on a financial reporting perspective. The continuous reporting to the regulatory arm for NBFIs of the CBSL, the Department for Supervision of Non-Bank Financial Institutions, is regularly monitored. Communications and inquiries are directed to the Company when irregularities are detected. Such queries are informed to the Senior Management and remedial actions are taken as necessary. The Board is also informed of such communiqué and measures taken. Periodic onsite examinations are also carried out by the Department for Supervision of Non-Bank Financial Institutions. Their findings and concerns are directly communicated to the Board. Corrective measures are taken by the Board on such findings immediately. Continuous monitoring and follow-up action are carried out to ensure such remedial actions are properly implemented. In-depth independent review and assurance by all above entities ensures the risk management framework of the Company is robust and dynamic.

Environmental scanning

Monitoring emerging market developments plays a key role in meticulous risk management. Standard risk management approaches are well-honed to mitigate conventional risks, however the accelerated pace of change and deepened interconnectivity have added complexity to risk, hence robust environmental scanning is vital for the risk management process.

Key developments during the year

The financial year under review was characterised by lackluster economic growth, record level of rupee depreciation, restrictions on imports, rising interest rates, changing accounting standards such as SLFRS 9 adoption, heightened capital adequacy requirements by the regulator, political instability and lack of policy consistency. The financial sector felt the impact of these developments throughout, in the form of deteriorated asset quality, rising impairment costs, lower interest margins, escalating costs ultimately leading to drop in profitability.

In the global arena geopolitical and geoeconomic tension escalated, emerging biological threats, heightened cybersecurity concerns, privacy and information security breaches and disruption to trade treaties were some of the risks that materialised. Spillover effects of such scenarios further deteriorated the economic conditions in the country, ultimately affecting profitability of entities overall.

Risk event	Impact to the Company	Risk mitigations techniques
Macroeconomic down-turn	Decrease in demand for new business	• Provide value added service to differentiate the products
Deterioration of financial position of customers	Increase in NPA due to drop in repayment capacity of customers	• Restructure loans to ease the repayment burden of customers • Allow third-party transfers • Amicable settlement or repossession
Market interest rate fluctuations	Stress on net margins Drop in profitability	• Continuous evaluation of product pricing in line with market trends • Deposit products are streamlined in line with regulatory guidelines • Explore alternative funding avenues
Strict regulatory controls	Capital charge on operational risk reduced the T2 ratio	• Proposed to issue LKR 1.5 Bn. worth of subordinated debenture to augment the capital buffer
Introduction of SLFRS 9	Higher impairment provision charge reducing the profitability of the company	• Early assessment of the impact to identify profitability and capital impact • Subordinate debenture to mitigate the capital impact • Streamlined the credit appraisal process to acquire high quality customer base

Risk assessment, reporting, and monitoring

By promoting a risk sensitive culture, the Management encourages staff at all levels to be mindful of emerging risks. When new risks are identified, they are assessed for the likelihood of occurrence and the severity of impact. Control actions are decided based on these two factors. Risk tolerance levels are set, based on the risk appetite of the entity and generally accepted industry norms.

Control measures are formulated to ensure that the identified risks are within the tolerable levels. Exposures, which exceed the tolerable limits are identified; mitigatory action for such risks are decided and implemented. Continuous assessment is done to ensure likelihood of occurrence and the severity of impacts are within the risk tolerance levels of the Company.

Collective dialogue amongst different department heads at the Integrated Risk Management Committee meetings, ensures comprehensive assessment of potential risks and their impact. Risks with potent consequences are monitored regularly; a monthly report is submitted to the IRMC, with identified quantitative ratios which define the risk tolerance level of the entity. Key risk areas such as credit risk, liquidity risk, market risk and operational risk implications are monitored accordingly.

Following table outlines certain risk tolerance levels against the reported ratios used to control various risks of the entity;

Risk criteria	Risk indicators	Tolerance level	Actual ratio
Concentration to vehicle type	Percentage exposure to an individual vehicle type	30%	Motor cars – 28% Dual purpose vehicles -19.2% Commercial vehicles – 14.8%
Higher exposure to large borrowers	Facilities over LKR 10 Mn. of total portfolio	25%	11.5%
Probable default	Infection ratio	3%	1.31%
Regional default risk	Region wise Infection ratio	3%	1.95%
Liquidity risk High deposit Withdrawals	Deposit renewal ratio	>70%	89%
Operational risk	Core capital ratio falling below 6%	6%	14.46%
	Total capital ratio falling below 10%	10%	15.49%

Risk mapping

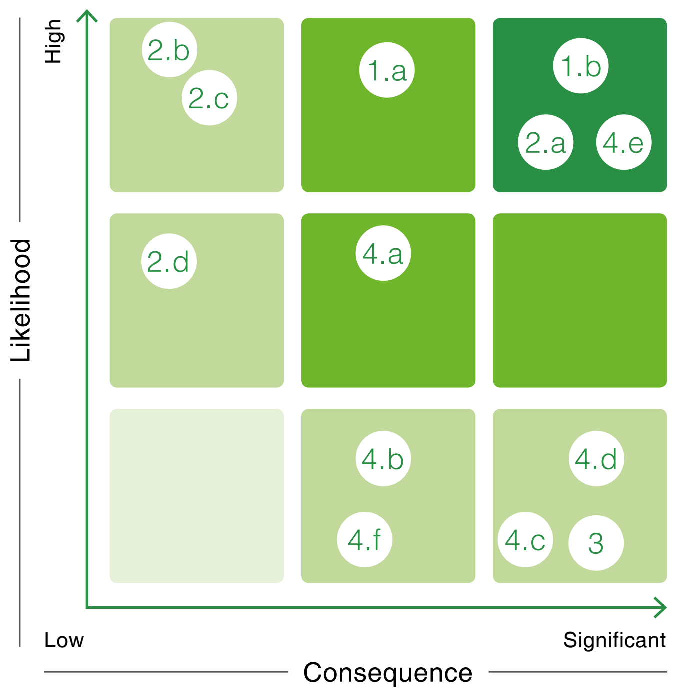
Following are the key risk parameters and their positioning in the risk matrix of the Company,

1. Credit risk
- a. Default risk
- b. Concentration risk

2. Market risk
- a. Interest rate risk
- b. Foreign exchange risk
- c. Equity price risk
- d. Commodity price risk

3. Liquidity risk

4. Operational risk
- a. Internal controls
- b. IT risk
- c. Disaster and contingency
- d. Regulatory and compliance
- e. Strategic risk
- f. Reputation risk

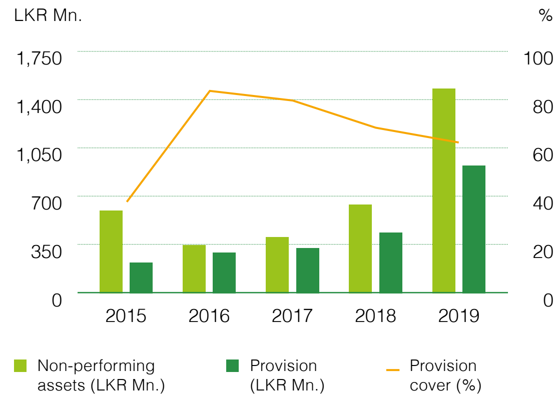


Credit risk

Credit risk is potential financial losses due to failure of customers or counterparties to discharge the contractual obligations. It is segmented to default risk and concentration risk based on the reason for materialisation. Financial institutions, engaged in financial intermediation are highly susceptible to credit risk. It is an integral part of finance business. Therefore, this risk must be meticulously managed to optimise the risk return trade-off.

Over 90% of the assets of the Company are exposed to credit risk and the maximum exposure as at 31 March 2019 is LKR 36,030 Mn., primarily consisting of finance leases and other loans and advances. Migration from the expected loss model to the incurred loss model in line with the SLFRS 9 broadened the criteria for impairment resulting in an increase in the impairment provisions to LKR 1,206 Mn., a growth of 169% from last year.

Non-performing loans and provision coverage



Managing credit risk is a critical function of the Company as majority of assets of the entity are exposed to this risk. The Company has in place a robust risk management process with clear policies and procedures, segregation of approval limits, collateral valuation and handling process, social, and environmental risk management policy, credit risk monitoring and independent assurance.

Summary of the credit risk monitoring and recovery procedure of Senkadagala Finance is as follows,

Marketing staff

- Continuous relations with customers
- Periodic site visits
- Courtesy reminders via SMS
- Payment reminders via mail
- Phone calls
- Site visits by the loan officer, branch manager

Recovery department

- Site visits by recovery officers
- Follow-up action
- Restructure loans
- Voluntary handover
- Allow third party transfers to creditworthy customers

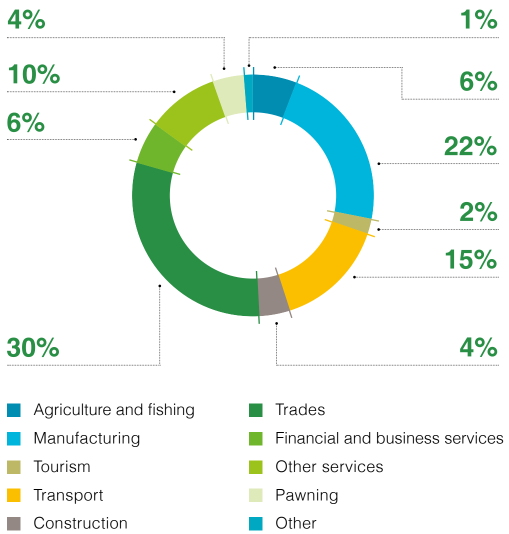
Legal department

- Issuing letters of demand
- Repossession of vehicles
- Mediation Board to recover the dues
- Initiate legal action

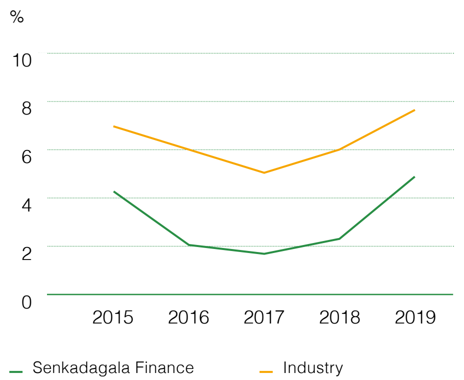
Concentration risk is managed by diversifying exposures to industry sectors, products, geographical regions, collateral types, customer segments and individual entities. The Management has set parameters to each of the above segments based on the risk appetite of the entity. Periodic statements are submitted to the IRMC evaluating the adherence to set limits. Tolerance limits are also evaluated periodically in line with the developments in the business environment.

Entire financial services sector experienced an overall increase in defaults due to the general economic downturn that prevailed during the year. Senkadagala Finance too experienced this and as a result, the gross NPA ratio for March 2019 increased to 4.93% from 2.28% of the previous year. However, the Company managed to maintain one of the lowest NPAs compared to the industry average of 7.7% for the year under review.

Industry exposures of loans and advances



Gross NPA ratio



Market risk

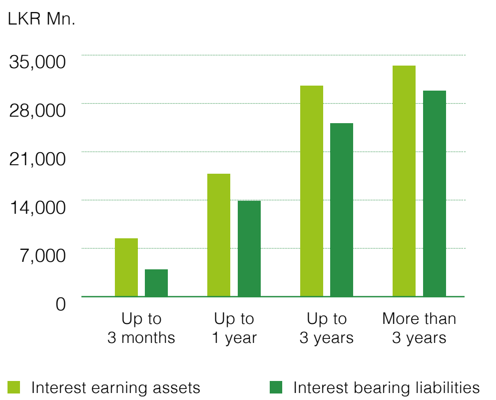
Market risk is losses incurred as a result of unfavourable movements in market factors such as interest rates, tradable equity prices, exchange rates and commodity prices. Probable loss exposures vary with the volatility of the underlying variable.

Risk type	Description	Likelihood	Consequence	Risk mitigation objectives	Risk mitigation techniques
Interest rate risk	Losses due to unfavourable movement of interest rates	High	Moderate	Maintain an optimal net interest spread	• Meticulous asset and liability management • Set risk tolerance level • Continuous environmental scanning • Carrying out yield curve analysis • Periodical review of the interest rates offered • Optimise funding sources • Re-price assets and liabilities to make use of favourable trend in the market
				Strike a balance between floating and fixed rated borrowings	• Re-price assets and liabilities in accordance with market trends • Periodical review of the interest rates offered
				Maintain an optimal gearing ratio	• Identify and maintain the optimum mix of equity and borrowing • Maintain a lower Weighted Average Cost of Capital (WACC)
Equity risk	Losses due to volatility of exchange traded equity and debt instruments	High	Low	Maintain the equity-related risk at a minimum level	• Maintain equity investments within the risk tolerance level • Set stop-loss limits to minimise losses. • Marked to the market monthly to identify the impact
				Maintain a diversified portfolio	• Invest in a variety of industries • Diversify the type of securities invested • Sourced the services of Orion Fund Management to manage the investment portfolio

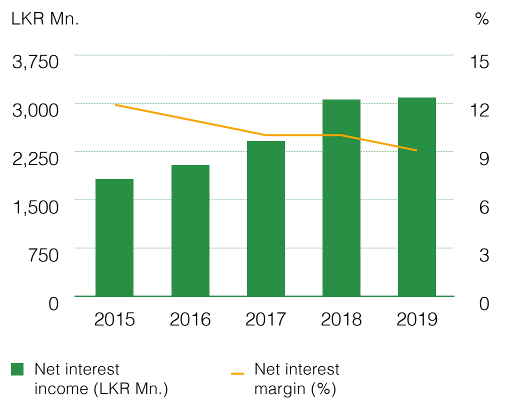
Risk type	Description	Likelihood	Consequence	Risk mitigation objectives	Risk mitigation techniques
Foreign Exchange Risk	Materialisation of losses due to adverse movements in the foreign currency exchange rates	High	Moderate	Minimise transaction losses	• No over-night positions of foreign currency maintained • Monitor transactions regularly • Educate employees on counterfeit notes in circulation and other possible fraudulent activities
				Minimise translation losses	• Hedge to lessen the effects of the foreign currency borrowings • Regularly review the effectiveness of the hedge • Swap cash flows to minimise the exchange risk exposure
Commodity	Adverse movements in commodity prices	Low	Low	Minimise exposure to commodities	• Tolerance levels on maximum exposure to commodity price driven instruments

In managing interest rate risk, the Company focuses on controlling the re-pricing concerns, yield curve movements and basis risk. Meticulous management of interest rate risk is vital for the Company, because majority of its earnings are through interest income. Adverse movements in the market rates coupled with the requirement to hold high liquid levels due to volatile market conditions caused the net margins to decline in the year under review. However, the Company managed to maintain interest rate gaps between interest earning assets and interest-bearing liabilities at favourable levels.

Analysis of cumulative maturity gap



Net interest income



Liquidity risk

Liquidity risk materialises when an institution fails to honour its financial obligations as they fall due. Crystallisation of liquidity risk is one of the common reasons for insolvency of financial institutions; major players in the finance business fail due to issues relating to liquidity mismanagement from time to time. Therefore meticulous liquid assets management is vital for a financial institution's success. Absence of adequate funding could hamper the growth potential of the business while presence of excess liquidity will result in opportunity costs and net margin losses. Hence, it is necessary to maintain the optimum level of liquid assets to maximise profitability.

The Liquid Assets Direction issued by the CBSL governs the liquid asset management framework of finance companies. In addition, the Company has in place tolerance levels set in line with the operational liquidity requirements and contingency funding arrangements are also lined up. Following are the key liquidity ratios stipulated by the CBSL and the respective Company ratios:

Liquidity ratio	**Regulatory requirement %**	**As at 31 March 2019 %**	**As at 31 March 2018 %**
Government securities to average deposit liabilities ratio	7.5	**12.46**	8.21
Liquid assets to Fixed Deposits and CDs	10	**48.92**	57.21
Liquid assets to Savings Deposits	15	**856.95**	1365.62
Liquid assets to Unsecured Senior Borrowings	5	**129.42**	124.75

Senkadagala Finance has continuously adhered to Central Bank regulations on liquid assets. Further, the Company has been able to capitalise on emerging market opportunities as a result of maintaining healthy liquidity levels. Due to meticulous liquidity management, Senkadagala Finance has been able to maintain a surplus in the short-term cumulative maturity mismatch. A detailed maturity analysis is available on page 212 of this report.

Operational risk

Losses arising due to inadequate or failed internal processes, people and systems and due to internal and/or external events are operational risks. It covers a broad spectrum of activities and functions within an organisation and hence robust internal control system as well as adequate levels of capital should be in place to mitigate and act as a buffer for losses due to materialisation of operational risk.

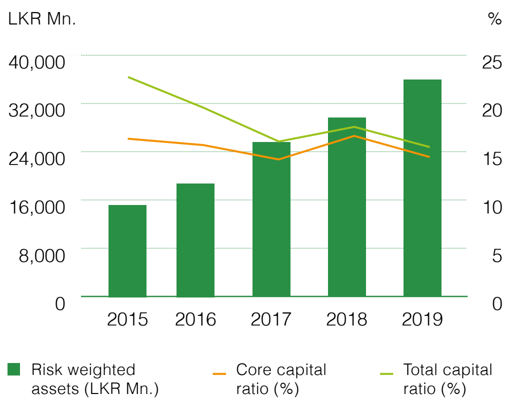
Risk type	**Description**	**Likelihood**	**Consequence**	**Risk mitigation objectives**	**Steps taken to evade operational risk**
Internal controls	Losses due to lapses in internal controls	Medium	Low/ Moderate	Eliminate internal fraud	• Robust internal control system is in place • Accountability • IT backed Controls are in place • Authority limits • A strong risk culture • Procedures for reviews and updates • Whistle-blowing Policy
				Evade external fraud	• Dynamic customer screening process • Upgrade information system security

Risk type	Description	Likelihood	Consequence	Risk mitigation objectives	Steps taken to evade operational risk
				Enhance employment practices and work place safety	• Employee screening policies • Continuous training and development • Update systems, processes and procedures
				Develop execution, delivery and process management	• Comprehensive operations manual • Ongoing education of the operational staff of changes to market conditions and business processes
Technology related risk	Risk associated with operations, involvement and adoption of information technology within an organisation	Medium	High	Minimize system downtime	• System development and upgrades • Well-trained systems support team • Online system support site
				Improve system and data security	• Update and upgrade information system security • State-of-the-art system security software • Ensure accuracy and reliability of management information systems • Continuous system development
				Improve hardware functionality and eliminate breakdowns	• Regular maintenance and upkeep • Co-sourcing suppliers to prompt restoration in system breakdowns • Improve customer experience and satisfaction
Disasters and contingencies	Loss due to unforeseen events	Low	Significant	Minimise business disruption and system failures	• Disaster Recovery Site in place enabling continuous operations with minimal system down time • Business continuity plan • Data backups and backup servers
				Minimise the loss due to damage to physical assets	• Comprehensive insurance covers • Regular staff training on workplace safety measures

Risk type	Description	Likelihood	Consequence	Risk mitigation objectives	Steps taken to evade operational risk
Strategic risk	Losses arising due to strategic decisions	Low	Significant	Systematic analysis of strategic decisions and meticulous implementation	• Environmental scanning • Regular reporting • Meeting at regular intervals to review the progress • Remedial measures for any deviation
Regulatory and compliance risk	Losses that arise due to failure of complying with applicable rules, regulations and codes of conduct	Low	Moderate	Comply with all regulatory restrictions and controls	• Incorporate regulatory limits and restrictions in to internal controls • Assign responsibility to functional managers • Compliance function • Regular reports to the BOD • External assurance sourcing Messrs Ernst & Young Advisory Services (Pvt) Ltd.
Reputation risk	Loss of earnings, profitability, capital or brand image due to negative publicity	Low	Moderate	Adequate controls over all risk criteria	• Effective communication • Proper internal controls • Regulatory compliance • Customer relations

The Company maintains healthy capital levels to buffer the impact of operational risk. Detailed information on the capital position of the entity is available on pages 65 and 66 of this report. Additionally, in line with the Finance Business Act Direction (Capital Adequacy Requirement) No. 3 of 2018, a capital charge for operational risk was introduced. Accordingly, Senkadagala Finance has provided a capital charge of LKR 4,711 Mn. for operational risk under the Basic Indicator Approach.

Risk weighted assets and capital position



Longevity

The relationships we seek and nurture are long term

110 Financial Reports

Annual Report of the Board of Directors of Senkadagala Finance PLC

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements for the year ended 31 March 2019 to the shareholders, which was approved by the Board of Directors on 19 June 2019.

The details set out here provide information required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange and recommendations of best accounting practices.

Domicile and legal form of the Company

Senkadagala Finance PLC is a public limited liability Company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29 December 1968 bearing Registration No. PB 238 PQ and registered under the Finance Company Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act 07 of 2007. Senkadagala Finance PLC is listed in the *Diri Savi* Board of the Colombo Stock Exchange with effect from 22 March 2011.

The registered office of the Company is situated at 2nd Floor, 267, Galle Road, Colombo 3.

Vision and Mission

The Company's vision and mission are stated on page 4 of this Report.

Principal activities and operations

The principal lines of business of the Company include providing financial accommodation in the form of finance leases, hire purchase, commercial loans and personal loans. Additional lines of business include pawning, foreign exchange transactions, bill discounting, investment in money market instruments and the acceptance of term deposits, certificates of deposit and savings deposits.

The principal line of business of the Subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd. is insurance brokering activities.

On 25 August 2014 Senkadagala Finance acquired 100% shareholding of Newest Capital Limited, a specialised leasing company registered under the Finance Business Act No. 42 of 2011 in line with the CBSL Financial Sector Consolidation Plan. All operations of Newest Capital were discontinued during the year; in March 2019 the license of the Company was revoked and the company is in the process of being wound up.

There have been no significant changes in the principal activities of the Company and of the Group during the financial year other than mentioned above.

Management and financial review of business

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 8 and 9), the Managing Director/CEO's Review (on pages 10 to 11) and Value Creation and Capital Formation (on pages 30 to 67) section. These reports together with the Audited Financial Statements provide an overall assessment of the Company's performance during the financial year.

Branch expansion and future development

Senkadagala Finance PLC now has 59 branches and 41 service centres islandwide. In light of the business growth in the recent past, the Company continued with its branch expansion, opening doors in five new locations, namely, Kahawatta, Angoda, Kalawana, Padukka and Fort during the year.

As planned, with the opening of the Fort Branch to coincide with the 50th year celebrations of the Company, there are 100 branches and service centres in operation. Now that the Company has reached its expansion target, more focus will be given to improving profitability.

Directors' responsibility for financial reporting

The Financial Statements of the Company and the Group duly approved by two Directors are given on pages 126 to 237.

The Directors are responsible for the preparation of Financial Statements, the maintaining of proper accounting records and disclosures regarding accounting policies and principles of the Company and the Group.

The Directors are of the view that the Financial Statements presented give a true and fair view of the affairs of the Company as at 31 March 2019 and the profit of the year then ended and has been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance Companies Act No. 78 of 1988 which is replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these Acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of Colombo Stock Exchange.

Auditor's report

The Auditors of the Company Messrs KPMG performed the audit on the separate and the consolidated Financial Statements for the year ended 31 March 2019. The Auditor's Report issued thereon is given on pages 120 to 125 of this Annual Report.

Accounting policies

The accounting policies adopted in preparing and presenting of these Financial Statements are given on pages 136 to 155 of this Annual Report.

The Company and the Group prepared the Financial Statements for all periods up to and including the year ended 31 March 2019 in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by The Institute of Chartered Accountants of Sri Lanka, which has converged with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Directors interests

As required by the Sections 192 (1) and (2) of the Companies Act, all Directors have made declarations of the interests with the Company. The share ownership of Directors is disclosed on page 116 of this Report.

Remuneration and other benefits of Directors

Directors' remunerations in respect of the Company and the Group for the financial year under review is LKR 22,758,780 (2018 – LKR 22,958,565).

Related party transactions

There were no related party transactions which exceeded the threshold limits stipulated in the Listing Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions in the Financial Statements and accordingly given in Note 45 on page 209 of this Annual Report.

Donations

A sum of LKR 2,141,650 (2018 – LKR 3,746,000) was paid out by way of donations during the financial year under review.

Income

The income generated by the Company during the financial year comprises the following:

	Company		Group	
	2019 LKR	**2018 LKR**	**2019 LKR**	**2018 LKR**
Interest income	**6,995,603,180**	6,472,114,532	**6,997,021,470**	6,474,164,965
Fee and commission income	**104,337,490**	100,249,664	**237,972,153**	244,229,108
Other operating income	**195,940,490**	197,965,525	**116,520,490**	114,987,525
Total	**7,295,881,160**	6,770,329,721	**7,351,514,113**	6,833,381,598

Further analysis is given in Notes 5 and 7 to 11 of the Financial Statements on pages 164 to 166 of this Report.

Profit and appropriations

Details of profit appropriation of the Company is given below:

	2019 LKR	2018 LKR
Profit before income taxation	**929,283,773**	1,357,415,691
Income tax expenses	**21,319,921**	(352,744,373)
Profit for the period	**950,603,694**	1,004,671,318
Other comprehensive income/(loss) net of income tax	**2,874,461**	(4,336,678)
Balance brought forward	**3,071,416,182**	2,339,158,221
Adjustments	**(456,349,503)**	–
Profit available for appropriation	**2,615,066,679**	3,339,492,861
Appropriated as follows:		
Transfers to statutory reserve fund	**50,000,000**	55,000,000
Dividends paid	**228,296,442**	213,076,679
Unappropriated profit carried forward	**3,290,248,392**	3,071,416,182

Dividends

The Directors recommended a final dividend of LKR 0.35 per share for the financial year ended 31 March 2019. In accordance with the Direction No. 01 of 2013, the Company obtained approval from the Director of NBFI of the Central Bank of Sri Lanka for the said dividend.

The total dividend payout ratio amounted to 24.02% in 2019 compared to 21.21% of 2018. Details on dividends paid during the year and the dividend policy is available in Shareholder and investor capital on page 60 of this Report.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 37 on page 203 and Note 16 on page 168 of this Report.

Reserves

The aggregate reserves of the Company as at 31 March 2019 amounted to LKR 5,297 Mn. the aggregate reserves as at 31 March 2018 were LKR 5,031 Mn. Movement in reserves during the year is given in Statement of Changes in Equity on page 130 of this Report.

The composition of the aggregate reserves is set out below:

	2019 LKR	2018 LKR
Stated capital	**1,587,862,680**	1,587,862,680
Statutory reserve fund	**415,036,033**	365,036,033
Available-for-sale reserve	**–**	7,171,473
Fair value reserve	**3,893,597**	–
Retained earnings	**3,290,248,392**	3,071,416,182
Total reserves	**5,297,040,702**	5,031,486,368

Capital expenditure

The total capital expenditure for the year amounted to LKR 932.3 Mn. (2018 – LKR 359.1 Mn.).

Details of property, plant and equipment are available on pages 192 to 198 of this Report. Details relating to the depreciation charge for the year are also available on pages 192, 194 and 195.

Market value of freehold assets

The value of the freehold properties of the Company has been obtained from the reports issued by External Independent Property Valuers Mr K M U Dissanayake and Mr H N M Herath dated 31 March 2018 and 31 March 2017 respectively. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuation has been carried out based on open market value of similar properties. These values have not been incorporated in the Financial Statements. Details of freehold property owned by the Company including extent, location are given in Note 28.2 and Note 29.6 of the Financial Statements on pages 192 and 197 to this Report.

Issue of shares and debentures

Stated capital

Senkadagala Finance PLC has in issue 72,475,061 ordinary shares to the book value of LKR 1,587.9 Mn. as at 31 March 2019. No new shares were issued during the year under review. The Company does not have any other categories of shares in issue.

Details of the stated capital are given in Note 42 of the Financial Statements on page 207 of this Report.

Debentures

Details of the debentures in issue as at 31 March 2019 are given in detail in Note 35 and Note 36 of the Financial Statements on pages 202 and 203 respectively. Further information on the listed debentures is given on page 64 of this Report.

Share information

Information relating to earnings per share, dividends per share, net assets per share, market price per share and the distribution of shareholding is stated on pages 62 and 63, under shareholder and investor capital section. The twenty largest shareholders as at 31 March 2019 together with an analysis of the shareholding are also stated therein.

Equitable treatment to shareholders

The Company has taken all possible steps to ensure equitable treatment to all its shareholders.

Directors

The Board of Directors of Senkadagala Finance PLC consists of Directors with financial and commercial experience. A brief profile of the Directors with their qualifications and experience is detailed on pages 70 and 71 of this Report.

Following were the Directors of the Company during the year:

- Mr W M R S Dias
- Dr P Ramanujam (Retired with effect from 12 December 2018 on reaching 70 years of age)
- Mr L Balasuriya
- Dr A Balasuriya
- Ms L Fernando
- Dr M Balasuriya
- Mr W A T Fernando
- Mr S D Bandaranayake
- Mr D T P Collure
- Mr Senanayakege R Pushpakumara

Following were the Directors of the Subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd. During the year:

- Mr L Balasuriya
- Dr A Balasuriya
- Ms L Fernando
- Dr M Balasuriya
- Mr W A T Fernando
- Mr S D Bandaranayake

Following were the Directors of the Subsidiary, Newest Capital Limited during the year:

- Mr L Balasuriya
- Dr A Balasuriya
- Ms L Fernando
- Dr P Ramanujam (Retired with effect from 12 December 2018 on reaching 70 years of age)
- Mr S D Bandaranayake

Independence of Directors

The Board has carried out a determination of the independence or non-independence status of its Directors in accordance with the Section 7.10.3 of the continuous Listing Rules of the CSE. Particulars of Independent Directors are set out in pages 70 and 71 of this Report along with a brief profile of the Director.

Board and committee meetings

A number of Board meetings, Audit Committee meetings, Remuneration Committee meetings, Integrated Risk Committee meetings and Related Party Transactions Review Committee meetings were held during the year at the Registered Office of the Company. Members of each of these committees have attended the meetings on a regular basis. Details of the members and their attendance are given on pages 94 to 97 and 93 of this Report.

Recommended for re-election

In accordance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, none of the Directors of the Company are coming up for re-election.

Directors' shareholdings

The Directors of the Company at the date of the Report are shown below together with their respective shareholdings:

	2019		2018	
	Number of shares	Percentage of holding (%)	Number of shares	Percentage of holding (%)
Dr M Balasuriya	4,172,046	5.76	4,172,046	5.76
Dr A Balasuriya and Mr D Balasuriya	2,086,023	2.88	2,086,023	2.88
Dr A Balasuriya and Mr S Balasuriya	2,086,022	2.88	2,086,022	2.88
Mr L Balasuriya and Mr S K Balasuriya	2,086,023	2.88	2,086,023	2.88
Mr L Balasuriya and Ms A S Balasuriya	2,086,022	2.88	2,086,022	2.88
Ms L Fernando and Ms S A Fernando	1,166,232	1.61	1,166,232	1.61
Ms L Fernando and Mr A R Fernando	1,166,231	1.61	1,166,231	1.61
Ms L Fernando and Mr A L Fernando	1,166,231	1.61	1,166,231	1.61
Mr L Balasuriya – The Trustee of the Capitalisation Issue	15	0.00	15	0.00
Mr W A T Fernando	–	0.00	–	0.00
Mr S D Bandaranayake	–	0.00	–	0.00
Mr D T P Collure	–	0.00	–	0.00
Mr W M R S Dias	–	0.00	–	0.00
Mr Senanayakege R Pushpakumara	–	0.00	–	0.00

Directors' interests in debentures

Details of debentures held by the Directors of the Company are mentioned below:

As at 31 March	2019		2018	
	Number of debentures	Percentage of holding (%)	Number of debentures	Percentage of holding (%)
Mr S D Bandaranayake	Nil	Nil	125,000	0.01

Environment

The Directors are of the belief that the Company does not engage in any form of activity that is detrimental to the environment. Compliance with all environmental regulations has been adhered to during the year.

Statutory payments

The Directors are of the view that all statutory payments in relation to Government agencies and employees have been made up to date.

Post-balance sheet events

The Board of Directors has declared and paid an interim dividend of LKR 0.60 per share for the nine-month period ended 31 December 2018, on 7 May 2019. Further a final dividend of LKR 0.35 per share for the year ended 31 March 2019 is recommended by the Board of Directors subject to the approval by the shareholders at the Annual General Meeting for the financial year ended 2018/19. In accordance with the LKAS 10 on "Events after the reporting period", the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

Except as mentioned above, there were no material events occurring after the reporting period that require adjustment to or disclosure in the Financial Statements.

Appointment of auditors

The Financial Statements of the year under review have been audited by Messrs KPMG, Chartered Accountants, who offer themselves for reappointment. A resolution will be proposed at the Annual General Meeting to reappoint them as Auditors and authorising the Directors to determine their remuneration.

Auditor's remuneration, other fees and payables

The Auditors, Messrs KPMG was paid audit fees of LKR 1,320,000 (2018 – LKR 1,200,000) for the Company and LKR 479,871 (2018 – LKR 431,986) for the subsidiary companies for the period under review. In addition they were paid LKR 2,652,758 (2018 – LKR 1,470,876), for permitted non-audit-related services. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 07 of 2007.

Amounts pertaining to the audit fee of LKR 1,320,000 of the Company and LKR 479,871 of the subsidiaries was payable as at the year end.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

Risk Management

Information pertaining to material foreseeable risk factors and specific steps taken by the Company in managing such risks are detailed in the Risk management section on pages 98 to 109 of this Report.

Corporate governance

The Board places great emphasis on maintaining effective corporate governance practices. Policies and systems are structured accordingly and reviewed from time to time to enhance transparency and accountability. The report on corporate governance is given on pages 72 to 93 of the Annual Report.

Internal control

The Directors of the Company are responsible for setting out the policy regarding internal control. The set of internal control procedures laid down seeks to manage against material errors or omissions, losses, fraudulent practices and to safeguard assets and secure as far as is possible the accuracy and reliability of the records.

Employment policies

The Company is an equal opportunity employer. In its goals and objectives, it seeks to achieve excellence and market orientation in its service. Continuous training and social participation amongst employees are encouraged.

A holistic approach prevails in the Company's strategic outlook where a participatory management style ensures that employees are involved in the decision-making process. Incentive schemes which are related to employee performance are one of the ways in which the Company ensures that rewards are directly related to performance. A Remuneration Committee ensures that a balance is struck between performance and related employee rewards structures.

The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its staff. The Company had 794 employees as at 31 March 2019 (2018 – 745).

The Company does not have any Employee Share Option Schemes (ESOS) or Employee Share Purchase Schemes (ESPS) as at the date of this Report.

There had been no material issues pertaining to employees and industrial relations of the Company or its subsidiaries during the year under review.

Going concern

The Directors are satisfied that the Company has at its disposal adequate resources to continue in business in the foreseeable future; and hence the going concern concept is adopted in the preparation of the Financial Statements.

Compliance with laws and regulations

The directors are of the belief that the Company has not engaged in any activities contravening the law and has complied with all applicable regulations.

By Order of the Board,
SENKADAGALA FINANCE PLC

Sgd.
Managers and Secretaries (Private) Limited
Secretaries

Colombo
19 June 2019

Directors' Statement on Internal Control over Financial Reporting

Responsibility

In line with Section 10 (2) (b) of the Finance Companies Corporate Governance Direction No. 03 of 2008 as amended by the Direction No. 06 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 Senkadagala Finance PLC, ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is 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 pertaining to Internal Control over Financial Reporting. The Management is continuously in the process of enhancing the documentation of the systems of Internal Control over Financial Reporting. 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 are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

Confirmation

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

External auditors' certification

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors will be considered and appropriate steps would be taken to rectify them in the future.

By order of the Board,

S D Bandaranayake
Director/Additional CEO

W M R S Dias
Chairman

W A T Fernando
Director/Chairman of the Board Audit Committee

Colombo
19 June 2019

Independent Auditors' Report

KPMG
Kandy Branch
(Chartered Accountants)
483 A 1/4, William Gopallawa Mawatha,
Kandy 20000, Sri Lanka.

Tel : +94 - 81 223 4610
: +94 - 81 563 1181
: +94 - 81 563 1187
: +94 - 81 563 1189
Email : lk-fmkandy@kpmg.com

To the shareholders of Senkadagala Finance PLC

Report on the audit of the financial statements

Opinion

We have audited the Financial Statements of Senkadagala Finance PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2019, and the Statements of Income, Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, Notes to the Financial Statements, including, a summary of significant accounting policies and other explanatory information as set out on pages 126 to 237.

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 2019 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Key audit matters (continued)

Impairment for finance lease, hire purchase and other loans and receivables and transition impact with the adoption of SLFRS 9 – "Financial Instruments"

Refer Notes 2.8 and 3.3.11 (Accounting policies) and Notes 23 to 24 (Notes to the Financial Statements).

Risk description	Our responses
As at 31 March 2019, the Company reported net amounts of lease and hire purchases and other loans and advances (Loans and advances) of LKR 26,745,604,744/- and LKR 3,530,314,258/- respectively with a provision of LKR 1,206,170,293/-as impairment. Due to the complexity of SLFRS 9 and its expected pervasive impact on the financial sector we focused on the Company's disclosure of the expected impact of measuring credit losses on loans and receivables and the significant judgement exercised by the Company. The Company's models to calculate Expected Credit Losses (ECLs) are inherently complex and judgement is required in determining the correct construct of the model. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including selection and input of forward-looking information. As permitted by the transitional provision of SLFRS 9, the impact of adopting SLFRS 9 is considered as an adjustment to equity as at 1 April 2018 (Day one), without restating the comparative information. The Note 4 to these Financial Statements provides the impact on transition to SLFRS 9 – "Financial Instruments" on retained earnings as at 1 April 2018. The Company has applied new accounting policies, including transition option election and practical expedients with the application of new significant judgements and estimates which are subject to estimation uncertainty and management bias.	Our audit procedures included the following: • Evaluating and validating the design, implementation and operating effectiveness of key controls over timely identification of individually impaired loans and advances, estimates of future cash flows and valuation of collaterals for impaired loans and advances which are assessed on an individual basis. • Selecting a sample of large customers based on quantitative thresholds and evaluating those large customers where impairment indicators have been identified by Management. We obtained Management's assessment of the recoverability of these exposures and challenged whether individual impairment provisions, or lack of where appropriate. • Challenging recoverability of the forecasted cash flows by comparing them to the historical performance of the customers and expected future performance where applicable. • Evaluating the experience, independence, competence and integrity of the external valuers engaged by the Company to value certain property and illiquid collateral. Where possible, we compared the valuations with externally derived data such as commodity prices and real estate valuations. • Re-performing credit assessments for the selected individually impaired loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgement and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by Management. We also evaluated the consistency of Management's application of key assumptions and compared them with our own data sources. Where available, we made use of post-reporting date information to evaluate credit quality with hindsight. • Performing credit assessment of a sample of loans and advances not being identified by Management as impaired, challenging Management's assessment by examining the underlying loan information and external evidence available;

KPMG

Key audit matters (continued)

Impairment for finance lease, hire purchase and other loans and receivables and transition impact with the adoption of SLFRS 9 – "Financial Instruments" (continued)

Risk description	Our responses
We identified assessing impairment of loans and advances to customers as a key audit matter because, there is a high degree of complexity and judgement involved in estimating credit impairment provisions against these loans and advances.	• Evaluating and validating the design, implementation and operating effectiveness of key controls over the application of collective provision model adjustments. This included assessing the components of models, trend in the credit risk, concentration of specific portfolios and our understanding of economic conditions; • Reviewing the key assumptions in the models such as forecasts, calculation and assumptions of future cash flows prepared by Management by examining the underlying supporting evidence including external market data; • Challenging the validity of the models used and assumptions including staging, PD and LGD adopted by the Company for the calculation of collective impairment allowances; • Considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses and assessing key internal controls over the input of underlying data into the models. We compared the economic factors used in the models to market information to assess whether they were aligned with market and economic developments. We also assessed the emergence period by tracing the life cycle of overdue accounts from the specific credit event to downgrading the account to a non-performing contracts. *Our audit procedures for transition of the SLFRS 9 on 1 April 2018 include the following:* • Assessing the Company's significant accounting policies against the requirement of SLFRS 9; • Assessing the Company's ECL modelling methodology and for a sample of models testing key assumptions in ECL models against the requirement of SLFRS 9 and underlying accounting records; • Assessing forward looking assumptions and the development of economic scenarios against external economic information and the application into the ECL models;

KPMG

Key audit matters (continued)

Impairment for finance lease, hire purchase and other loans and receivables and transition impact with the adoption of SLFRS 9 – "Financial Instruments" (continued)

Risk description	Our responses
	• Testing data reconciliation controls between the ECL models and source system; • Testing the accuracy of modelled calculations by re-performing the ECL calculations on a sample basis, and; • Assessing the impairment-related disclosures and transition disclosures in the Financial Statements with reference to the requirements of SLFRS 9.

IT systems and controls over financial reporting

Risk description	Our responses
The Company operates a large and complex IT system for its day-to-day operations. Automated accounting procedures and IT environment controls, which include IT governance, controls over programme development and changes, access to programmes and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. In particular importance are system calculations, logic regarding significant accounts, including interest calculations, interfaces between business management systems. We identified IT systems and controls over financial reporting as a key audit matter because the Company is heavily dependent on IT systems for the processing and recording of significant volumes of transactions.	We used our internal IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included the following: • Assessing the design, implementation and operating effectiveness of general IT controls over the continued integrity of all major IT systems; • Examining the framework of governance over the Company's IT organisation and the controls over program development and changes, access to programmes and data and IT operations, including compensating controls where required; • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT process controls by assessing the operating effectiveness of IT Application Controls, assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the Company's compliance activities; • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of businesses types and transactions volumes as well as IT projects that have a significant impact on business continuity; • Testing the appropriateness of the access rights given to staff and segregation of duties between users within particular systems.

KPMG

Other information

Management is responsible for the other information. The other information comprises all the information included in the Annual Report, but does not include the Financial Statements and our Auditors' Report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the 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 Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' responsibilities for the audit of the Financial Statements

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

As part of an audit in accordance with SLAUSs, we exercise professional judgement and maintain professional scepticism 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 Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditor's Report is 3707.

Chartered Accountants
Kandy,
Sri Lanka

19 June 2019

Income Statement

For the year ended 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Interest income	5	**6,995,603,180**	6,472,114,532	**6,997,021,470**	6,474,164,965
Interest expense	6	**(3,759,531,355)**	(3,410,063,681)	**(3,754,628,139)**	(3,405,469,460)
Net interest income		**3,236,071,825**	3,062,050,851	**3,242,393,331**	3,068,695,505
Fee and commission income	7	**104,337,490**	100,249,664	**237,972,153**	244,229,108
Fee and commission expense	8	**(23,279,985)**	(36,525,468)	**(23,279,985)**	(36,525,468)
Net fee and commission income		**81,057,505**	63,724,196	**214,692,168**	207,703,640
Net gain from trading	9	**2,289,975**	7,152,560	**2,289,975**	7,152,560
Net gain/(loss) from financial instruments designated at fair value through profit or loss	10	**(22,136,573)**	2,015,455	**(22,136,573)**	2,015,455
Other operating income	11	**193,650,515**	188,797,510	**114,230,515**	105,819,510
Net other operating income		**173,803,917**	197,965,525	**94,383,917**	114,987,525
Total operating income		**3,490,933,247**	3,323,740,572	**3,551,469,416**	3,391,386,670
Impairment charges and other credit losses	12	**(444,362,086)**	(55,509,601)	**(444,362,086)**	(55,509,601)
Net operating income		**3,046,571,161**	3,268,230,971	**3,107,107,330**	3,335,877,069
Personnel expenses	13	**(701,374,419)**	(621,444,313)	**(706,127,910)**	(625,868,230)
Depreciation of property, plant and equipment		**(320,578,117)**	(289,908,111)	**(321,787,682)**	(294,136,613)
Amortisation of intangible assets		**(12,717,854)**	(14,352,423)	**(12,717,854)**	(14,352,423)
Impairment of intangible assets		**–**	–	**(64,820,214)**	–
Other operating expenses	14	**(832,630,698)**	(735,323,355)	**(837,765,328)**	(741,054,016)
Operating profit before taxation on financial services		**1,179,270,073**	1,607,202,769	**1,163,888,342**	1,660,465,787
Taxes on financial services	15	**(249,986,300)**	(249,787,078)	**(249,986,300)**	(249,787,078)
Profit before income tax		**929,283,773**	1,357,415,691	**913,902,042**	1,410,678,709
Income tax expense	16	**21,319,921**	(352,744,373)	**(27,944,357)**	(408,336,384)
Profit for the year		**950,603,694**	1,004,671,318	**885,957,685**	1,002,342,325
Basic earnings per share	17	**13.12**	13.97	**12.22**	13.93

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Profit for the year		**950,603,694**	1,004,671,318	**885,957,685**	1,002,342,325
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit plans	41.2	**5,999,263**	(6,400,199)	**5,999,263**	(6,505,690)
Deferred tax effect on actuarial (gain)/loss		**(3,124,802)**	2,063,521	**(3,124,802)**	2,093,058
Changes in fair value of investments in equity at fair value through other comprehensive income		**3,893,597**	–	**3,893,597**	–
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**–**	8,306,537	**–**	8,306,537
Reclassification adjustment for gain included in the income statement		**–**	(5,496,247)	**–**	(5,496,247)
Other comprehensive income for the year net of tax		**6,768,058**	(1,526,388)	**6,768,058**	(1,602,342)
Total comprehensive income for the year		**957,371,752**	1,003,144,930	**892,725,743**	1,000,739,983

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Assets					
Cash and cash equivalents	20	720,853,597	764,909,318	724,775,309	817,948,235
Deposits with licensed commercial banks	21	1,350,947,501	588,383,766	1,350,947,501	588,383,766
Repurchase agreements		1,515,652,849	2,899,624,179	1,515,652,849	2,899,624,179
Financial assets held at fair value through profit or loss	22	167,900,307	87,479,831	167,900,307	87,479,831
Financial assets at amortised cost – Finance leases and hire purchases	23	25,916,966,738	24,049,704,770	25,916,966,738	24,049,704,770
Financial assets at amortised cost – Other loans and receivables	24	3,152,781,971	3,752,080,667	3,152,781,971	3,752,080,667
Financial assets measured at fair value through other comprehensive income/financial assets available for sale	25	14,597,603	113,006,657	14,597,603	113,006,657
Financial assets at amortised cost – Other financial instruments/held to maturity	26	1,044,295,261	967,518,989	1,044,295,261	967,518,989
Investments in subsidiaries	27	320,000,000	320,000,000	–	–
Investment property	28	375,880,895	379,280,895	278,260,383	281,660,383
Property, plant and equipment	29	1,911,818,746	1,366,616,928	1,915,840,801	1,371,811,835
Intangible assets	30	45,131,673	57,251,807	45,131,673	122,072,021
Current tax recoverable	38	–	77,799,351	–	47,706,913
Other assets	31	246,236,128	680,162,670	225,721,761	680,430,448
Total assets		36,783,063,269	36,103,819,828	36,352,872,157	35,779,428,694
Liabilities					
Due to banks	32	7,698,196,509	6,008,726,566	7,698,196,509	6,060,439,800
Financial liabilities at amortised cost – Due to depositors	33	10,008,976,046	9,507,133,790	9,957,561,479	9,465,455,334
Financial liabilities at amortised cost – Other borrowings	34	9,564,781,494	9,367,632,765	9,564,781,494	9,367,632,765
Debt securities issued	35	2,732,047,895	3,127,018,895	2,732,047,895	3,127,018,895
Subordinated debentures	36	–	1,272,876,786	–	1,272,876,786
Deferred tax liabilities	37	461,314,121	860,680,871	461,173,423	860,605,400
Current tax payable	38	92,943,783	–	104,942,770	–

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Amounts due to related companies	39	**282,396,920**	291,578,050	**–**	–
Other liabilities	40	**556,792,899**	555,576,473	**560,009,081**	559,828,823
Employee retirement benefits	41	**88,572,900**	81,109,264	**89,419,248**	81,738,958
Total liabilities		**31,486,022,567**	31,072,333,460	**31,168,131,899**	30,795,596,761
Equity					
Stated capital	42	**1,587,862,680**	1,587,862,680	**1,587,862,680**	1,587,862,680
Statutory reserve fund	43	**415,036,033**	365,036,033	**419,997,079**	369,997,079
Available for sale – reserve	44	**–**	7,171,473	**–**	7,171,473
Fair value reserve		**3,893,597**	–	**3,893,597**	–
Retained earnings		**3,290,248,392**	3,071,416,182	**3,172,986,902**	3,018,800,701
Total equity		**5,297,040,702**	5,031,486,368	**5,184,740,258**	4,983,831,933
Total liabilities and equity		**36,783,063,269**	36,103,819,828	**36,352,872,157**	35,779,428,694

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

S D Bandaranayake
Additional Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

W M R S Dias
Chairman

L Balasuriya
Chief Executive Officer/Managing Director

Colombo,
Sri Lanka

19 June 2019

Statement of Changes in Equity

	Note	Stated capital LKR
Company		
Balance as at 1 April 2017		1,008,062,200
Profit for the year		–
Other comprehensive income/(expenses), net of tax		–
Total comprehensive income for the year		–
Transactions with equity holders recognised directly in equity		
Rights issue of shares		579,800,480
Dividends paid		–
Transfers to reserves		–
Total contributions from and distribution to equity holders		579,800,480
Balance as at 31 March 2018		1,587,862,680
Balance as at 1 April 2018		1,587,862,680
Adjustment on initial application of SLFRS 9	4.2	
Impact of reclassifying financial investment from AFS to FVTPL		–
Recognition of SLFRS 9 – Expected credit losses		
Loans and receivable to customers		–
Other financial investments		–
Adjustment on initial application of SLFRS 15	4.2	
Remeasurements of loan protection fee		–
Restated balance as at 1 April 2018		1,587,862,680
Profit for the year		–
Other comprehensive income, net of tax		–
Total comprehensive income for the year		–
Transactions with equity holders recognised directly in equity		
Dividends paid		–
Transfers to reserves		–
Total contributions from and distribution to equity holders		–
Balance as at 31 March 2019		**1,587,862,680**

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statutory reserve fund LKR	Available-for-sale reserve LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
310,036,033	4,361,183	–	2,339,158,221	3,661,617,637
–	–	–	1,004,671,318	1,004,671,318
–	2,810,290	–	(4,336,678)	(1,526,388)
–	2,810,290	–	1,000,334,640	1,003,144,930
–	–	–	–	579,800,480
–	–	–	(213,076,679)	(213,076,679)
55,000,000	–	–	(55,000,000)	–
55,000,000	–	–	(268,076,679)	366,723,801
365,036,033	7,171,473	–	3,071,416,182	5,031,486,368
365,036,033	7,171,473	–	3,071,416,182	5,031,486,368
–	(7,171,473)	–	7,171,473	–
–	–	–	(405,863,937)	(405,863,937)
–	–	–	(34,349)	(34,349)
–	–	–	(57,622,690)	(57,622,690)
365,036,033	–	–	2,615,066,679	4,567,965,392
–	–	–	950,603,694	950,603,694
–	–	3,893,597	2,874,461	6,768,058
–	–	3,893,597	953,478,155	957,371,752
–	–	–	(228,296,442)	(228,296,442)
50,000,000	–	–	(50,000,000)	–
50,000,000	–	–	(278,296,442)	(228,296,442)
415,036,033	**–**	**3,893,597**	**3,290,248,392**	**5,297,040,702**

Statement of Changes in Equity (continued)

	Note	Stated capital LKR
Group		
Balance as at 1 April 2017		1,008,062,200
Profit for the year		–
Other comprehensive income/(expenses), net of tax		–
Total comprehensive income for the year		–
Transactions with equity holders recognised directly in equity		
Rights issue of shares		579,800,480
Dividends paid		–
Transfers to reserves		–
Total contributions from and distribution to equity holders		579,800,480
Balance as at 31 March 2018		1,587,862,680
Balance as at 1 April 2018		1,587,862,680
Adjustment on initial application of SLFRS 9	4.2	
Impact of reclassifying financial investment from AFS to FVTPL		–
Recognition of SLFRS 9 – Expected credit losses		
Loans and receivable to customers		–
Other financial investments		–
Adjustment on initial application of SLFRS 15	4.2	
Remeasurements of loan protection fee		–
Restated balance as at 1 April 2018		1,587,862,680
Profit for the year		–
Other comprehensive income, net of tax		–
Total comprehensive income for the year		–
Transactions with equity holders recognised directly in equity		
Dividends paid		–
Transfers to reserves		–
Total contributions from and distribution to equity holders		–
Balance as at 31 March 2019		**1,587,862,680**

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statutory reserve fund LKR	Available-for-sale reserve LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
310,190,064	4,361,183	–	2,293,754,702	3,616,368,149
–	–	–	1,002,342,325	1,002,342,325
–	2,810,290	–	(4,412,632)	(1,602,342)
–	2,810,290	–	997,929,693	1,000,739,983
–	–	–	–	579,800,480
–	–	–	(213,076,679)	(213,076,679)
59,807,015	–	–	(59,807,015)	–
59,807,015	–	–	(272,883,694)	366,723,801
369,997,079	7,171,473	–	3,018,800,701	4,983,831,933
369,997,079	7,171,473	–	3,018,800,701	4,983,831,933
–	(7,171,473)	–	7,171,473	–
–	–	–	(405,863,937)	(405,863,937)
–	–	–	(34,349)	(34,349)
–	–	–	(57,622,690)	(57,622,690)
369,997,079	–	–	2,562,451,198	4,520,310,957
–	–	–	885,957,685	885,957,685
–	–	3,893,597	2,874,461	6,768,058
–	–	3,893,597	888,832,146	892,725,743
–	–	–	(228,296,442)	(228,296,442)
50,000,000	–	–	(50,000,000)	–
50,000,000	–	–	(278,296,442)	(228,296,442)
419,997,079	**–**	**3,893,597**	**3,172,986,902**	**5,184,740,258**

Statement of Cash Flows

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Cash flows from operating activities				
Interest and commission receipts	7,072,819,200	6,152,584,062	7,207,872,153	6,298,613,939
Interest payments	(3,840,510,938)	(3,371,849,640)	(3,835,607,722)	(3,367,255,419)
Recoveries of bad debts	39,267,215	59,340,255	39,267,215	59,340,255
Other operating income	66,355,347	27,690,503	66,055,347	36,062,503
Operating expenditure	(1,216,896,497)	(1,030,947,733)	(1,222,031,127)	(1,036,678,394)
Cash payments to employees	(683,434,961)	(604,931,628)	(687,971,798)	(609,180,298)
Operating cash flow before changes in operating assets and liabilities (Note A)	1,437,599,366	1,231,885,819	1,567,584,068	1,380,902,586
Changes in operating assets and liabilities				
Net funds advanced to customers	(2,019,279,877)	(3,729,955,265)	(2,019,279,877)	(3,729,955,265)
Deposits from customers	501,842,256	2,276,261,225	492,106,145	2,260,940,783
Deposits with licensed commercial banks	(762,646,607)	1,853,032,972	(762,646,607)	1,853,032,972
Government and other securities	1,307,195,058	(1,972,241,797)	1,307,195,058	(1,972,241,797)
Other assets	433,926,542	(501,535,902)	454,708,688	(503,884,707)
Other liabilities	(64,184,147)	(35,589,755)	(55,316,635)	(38,541,933)
	(603,146,775)	(2,110,028,522)	(583,233,228)	(2,130,649,947)
Net cash flow from operating activities before taxation	834,452,591	(878,142,703)	984,350,840	(749,747,361)
Taxes paid	(212,912,996)	(124,114,988)	(281,058,502)	(171,950,106)
Gratuity paid	(4,476,559)	(20,303,369)	(4,476,559)	(20,303,369)
Net cash from/(used in) operating activities	617,063,036	(1,022,561,060)	698,815,779	(942,000,836)
Cash flows from investing activities				
Net investment in trading securities	2,035,578	(3,775,513)	2,035,578	(3,775,513)
Net investment in financial assets available for sale	–	(25,000,000)	–	(25,000,000)
Dividends received on investments	81,714,358	94,268,382	2,594,364	2,918,382
Purchase of property, plant and equipment	(931,679,658)	(358,456,807)	(931,716,378)	(358,993,567)
Purchase of intangible assets	(597,720)	(679,377)	(597,720)	(679,377)
Proceeds from sale of property, plant and equipment	114,880,623	124,505,757	114,880,623	124,505,757
Net cash used in investing activities	(733,646,819)	(169,137,558)	(812,803,533)	(261,024,318)

For the year ended 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Cash flows from financing activities					
Proceeds from rights issue		–	579,800,480	–	579,800,480
Securitised loans obtained		7,300,000,000	6,740,000,000	7,300,000,000	6,740,000,000
Repayment of loans		(5,322,082,694)	(5,082,045,291)	(5,322,082,694)	(5,082,045,291)
Redemption of debentures		(1,647,270,000)	(585,753,500)	(1,647,270,000)	(585,753,500)
Dividends paid		(227,215,190)	(212,148,177)	(227,215,190)	(212,148,177)
Net cash from financing activities		103,432,116	1,439,853,512	103,432,116	1,439,853,512
Net (decrease)/increase in cash and cash equivalents		(13,151,667)	248,154,894	(10,555,638)	236,828,358
Cash and cash equivalents at the beginning of the year		682,075,540	433,920,646	683,401,223	446,572,865
Cash and cash equivalents at the end of the year		668,923,873	682,075,540	672,845,585	683,401,223
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	20	720,860,722	764,909,318	724,782,434	817,948,235
Bank overdrafts	32	(51,936,849)	(82,833,778)	(51,936,849)	(134,547,012)
		668,923,873	682,075,540	672,845,585	683,401,223

Note A

Reconciliation of operating profit

	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Profit before income tax		929,283,773	1,357,415,691	913,902,042	1,410,678,709
Depreciation		333,295,971	304,260,534	334,505,536	308,489,036
Dividend receipts on investments		(81,714,358)	(94,268,382)	(2,594,358)	(2,918,382)
Profit on disposal of fixed assets		(45,580,900)	(66,638,726)	(45,580,900)	(66,838,726)
Provision for defined benefit plan		17,939,458	16,512,685	18,156,112	16,687,932
Impairment charge on financial assets		342,572,107	104,670,291	342,572,107	104,670,291
Impairment of intangible assets		–	–	64,820,214	–
Loan losses and write-offs		30,057,680	867,733	30,057,680	867,733
Loss/(gain) on mark to market valuation of shares		22,136,573	(2,015,455)	22,136,573	(2,015,455)
Gain on sale of shares		(2,289,975)	(1,656,313)	(2,289,975)	(1,656,313)
Gains form available for sale financial assets		–	(5,496,247)	–	(5,496,247)
Loss on foreign currency balances		90	101	90	101
Interest accrued on loans and advances		(27,121,470)	(419,780,134)	(27,121,470)	(419,780,134)
Accrued interest on borrowings		(60,401,797)	45,350,468	(60,401,797)	45,350,468
Accrued interest on debentures		(20,577,786)	(7,136,427)	(20,577,786)	(7,136,427)
		1,437,599,366	1,231,885,819	1,567,584,068	1,380,902,586

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate information

1.1 Domicile and legal form

Senkadagala Finance PLC is a public limited liability Company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29 December 1968 and registered under the Finance Company Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007 on 14 November 2011. The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 3.

As a registered finance company, it is supervised by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

1.2 Number of employees

The number of employees of the Company at the end of the year was 794 (2018 – 745).

1.3 Consolidated financial statement

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2019 comprise those of the Company (parent company) and its subsidiaries (together referred to as the “Group”).

1.4 Principal activities and nature of operations

Company

The principal lines of business of the Company can be broadly classified under two categories – Fund based and fee based. The fund based services include leasing, hire purchase finance, trade loans and pledge loans. The fee based services include vehicle valuations etc.

Subsidiaries

The subsidiary companies and their principal line of business are as follows:

- Senkadagala Insurance Brokers (Pvt) Ltd.

  The principal activity of the Senkadagala Insurance Brokers (Pvt) Ltd. was providing insurance brokering services. The Company holds 100 percent share capital of Senkadagala Insurance Brokers (Pvt) Ltd.

- Newest Capital Limited

  The Company acquired 100 percent equity stake of Newest Capital Limited under the consolidation programme implemented by the Central Bank of Sri Lanka. The principal activity of the Company was finance leasing business. However, Newest Capital Limited had not carried out any finance business during the year under review. Newest Capital Ltd., ceased all its operations on 31 March 2019 and is in the process of being wound up.

1.5 Parent enterprise and ultimate parent enterprise

EW Balasuriya and Company Private Limited which is incorporated and domiciled in Sri Lanka is the immediate and ultimate parent of Senkadagala Finance PLC.

2. Basis of preparation

2.1 Statement of compliance

The Financial Statements of the Company and, the Group are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance Companies Act No. 78 of 1988 which is replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of Colombo Stock Exchange.

The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified format prescribed by the Central Bank of Sri Lanka for the preparation, presentation and publication of Annual Audited Financial Statements of Non-Bank Financial Institutions.

2.2 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Group and the Company in accordance with the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (LKASs and SLFRSs).

The Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 19 June 2019.

These Financial Statements include the following components:

- An Income Statement providing the information on the financial performance of the Company and the Group for the year under review.
- A Statement of Income and other comprehensive income providing the other comprehensive income of the Company and the Group for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end.
- A Statement of Changes in Equity providing the information on all changes in shareholder's equity of the Company and the Group during the year under review.
- A Statement of Cash Flows providing the information on the cash and cash equivalents, generating ability of the Company and the Group and the utilisation of those cash flows.
- Notes to the Financial Statements comprising accounting policies used by the Company and the Group.

2.3 Basis of measurement

The Financial Statements of Senkadagala Finance PLC ("the Company") and consolidated subsidiaries ("the Group") are prepared on a historical cost basis except for the following material items:

Items	Reporting period	Basis of measurement
Financial instruments measured at fair value through profit or loss	As at 31 March 2019 and 31 March 2018	Fair value
Available for sale financial instruments	As at 31 March 2018	Fair value
Financial instruments measured at fair value through other comprehensive income	As at 31 March 2019	Fair value
Defined benefit obligation	As at 31 March 2019 and 31 March 2018	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the planned assets, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses

No adjustments have been made for inflationary factors.

2.4 Functional and presentation currency

Items included in the Financial Statements of the Group and the Company are measured using the currency of the primary economic environment in which the Group operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company and its Subsidiary's functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.5 Preparation of financial statements

The Company and the Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement based on maturity is presented in Note 48 to these Financial Statements. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on Presentation of Financial Statements and amendments to the LKAS 1 – "Disclosures Initiative" which was effective from 1 January 2016.

2.7 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 Company and the Group has not restated the comparative information for 2017/18 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Therefore, the comparative information for 2017/18 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" and is not comparable to the information presented for 2018/19. Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 4 to these Financial Statements.

2.8 Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS/SLFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.

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

Information about significant areas of estimation, uncertainty, critical judgements and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below:

2.8.1 Going concern

The Group's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. 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.

When there is no quoted pricing 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 fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, assuming that market participants act in their economic best interest. 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 fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following Notes:

- Note 28.3 – Investment property
- Note 29.7 – Property, plant and equipment
- Note 50 – Financial instruments

2.8.3 Financial assets and liabilities classification

Applicable from 1 April 2018 as per SLFRS 9, the Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) based on the following criteria:

- The entity's business model for managing the financial assets as set out in Note 3.3.3.1.
- The contractual cash flow characteristics of the financial assets as set out in Note 3.3.3.2.

Applicable up to 31 March 2018

The Significant Accounting Policies of the Group provided scope for assets to be classified at inception into different financial asset and liabilities into different categories under certain circumstances as per LKAS 39:

- In classifying financial assets or liabilities at "Fair value through profit or loss" (FVTPL), the Group has determined that it has met the criteria for this designation as follows:

  Financial assets are classified as fair value through profit or loss if –

  – they are acquired principally for the purpose of selling or repurchasing in the near term; or

  – they hold as a part of a portfolio that is managed together for short-term profit or position taking; or

  – they form part of derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement".
- In classifying financial assets as Held to Maturity, the Group has determined that it has both the positive intention and the ability to hold the assets until their maturity date.
- In classifying financial assets as available for sale (AFS), the Group has determined that all non-derivative financial assets that are designated as available for sale or those financial assets not classified as loans and receivables.
- In classifying financial assets as Loans and receivables, the Group has determined that all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.8.4 Impairment losses on loans and advances

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. 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 Income Statement. 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. 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. The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral.

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 models 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 macroeconomic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD).

As per LKAS 39, the collective provision for groups of homogeneous loans was established using statistical methods (the net flow rate methodology) the model used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the reporting date. The loss rates are regularly reviewed against actual loss experience. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, and growth in Gross Domestic Product etc.). The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

2.8.5 Impairment of available-for-sale investments

Under LKAS 39, the Group recorded impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" required judgement. In making this judgement, the Group evaluated, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.8.6 Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash Generating Unit (CGU) at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the "Value in use" of such individual assets or the CGUs. Estimating Value in use requires the management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates.

2.8.7 Defined benefit obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discounting rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.8.8 Useful life of property, plant and equipment

The Group reviews the residual values, useful life and method of depreciation for property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rate methods and hence subject to uncertainty.

2.9 Changes in accounting policies

The Group has consistently applied the Accounting Policies to all periods presented in these Financial Statements, except for the changes arising out of transition to Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard – SLFRS 7 (revised) on "Financial Instruments: Disclosures" and Sri Lanka Accounting Standard – SLFRS 15 – "Revenue from Contracts with Customers" as set out below:

2.9.1 New and amended standards and interpretations

In this Financial Statement, the Group has applied SLFRS 9, SLFRS 7 and SLFRS 15, which are effective for the annual reporting periods beginning on or after 1 April 2018, for the first time. The Group has not early adopted any standard, interpretation or amendment that has been issued but not effective.

2.9.1.1 SLFRS 9 – Financial Instruments

Differences arising from the adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 4 to these Financial Statements.

2.9.1.1.1 Changes to classification and measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' cash flow characteristics. Classification and measurement categories as specified in LKAS 39 for financial assets (FVTPL, HTM, L&R and AFS) have been replaced by:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at fair value through profit or loss (FVTPL)

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39, all fair value changes of liabilities designated under the fair value option were recognised in profit or loss. Under SLFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income (OCI); and
- The remaining amount of change in the fair value is presented in profit or loss.

Information on changes to classification and measurement of financial instruments adopted on changes in accounting policies are detailed in Note 4 to these Financial Statements.

2.9.1.1.2 Changes to the impairment calculation

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing the incurred loss approach under LKAS 39 with a forward looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments but not to equity investments.

Under SLFRS 9, credit losses are recognised earlier than under LKAS 39. The allowance is based on the ECLs associated with the PD in the next twelve months unless there has been a significant increase in credit risk since origination. Lifetime expected credit loss is provided for financial assets for which the credit risk has increased significantly from initial recognition and the credit impaired assets subsequent to initial recognition. If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

2.9.1.2 SLFRS 15 – Revenue from contracts with customers

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on "Revenue", LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes" and is effective for annual reporting periods beginning on or after 1 April 2018. Entities are required to apply five-step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when an entity transfers control of goods and services to a customer at the amount at which the entity expects to be entitled. There is no significant impact on the Financial Statements of the Group and the Company resulting from the application of SLFRS 15.

3. Significant accounting policies

3.1 Basis of consolidation

The Financial Statements of the Company and the Group comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 March 2019. The Financial Statements of the Company's subsidiaries for the purpose of consolidation are prepared for the same reporting year as that of Senkadagala Finance PLC, using consistent accounting policies.

All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

3.1.1 Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.2 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to "Other Operating Income" in the Income Statement. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Unrealised gains and losses are dealt under "Other operating income" in the Income Statement.

3.3 Financial instruments – initial recognition, classification and subsequent measurement

3.3.1 Date of recognition

The Group initially recognises loans and advances, deposits and liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

3.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

3.3.3 Classification and subsequent measurement of financial assets

From 1 April 2018 as per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either; at amortised cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL). The subsequent measurement of financial assets depends on their classification.

Up to 31 March 2018 as per LKAS 39, the Group classified its financial assets into one of the following categories: Financial assets at fair value through profit or loss (FVTPL), and within this category – Held for trading – Designated at fair value through profit or loss, Loans and receivables, Held to maturity or Available for sale. Details of the impact on reclassification and measurement from LKAS 39 to SLFRS 9 are disclosed in transition disclosures in Note 4 to these Financial Statements.

3.3.3.1 Business model assessment

With effect from 1 April 2018, the Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed. The information considered includes: the stated policies and objectives for the portfolio and the operation of those policies in practice.

In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets; how the performance of the portfolio is evaluated; the risks that affect the performance of the business model and how those risks are managed managers of the business are compensated; and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

3.3.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers: contingent events that would change the amount and timing of cash flows; leverage features; prepayment and extension terms; terms that limit the Group's claim to cash flows from specified assets; and features that modify consideration of the time value of money.

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

3.3.3.3.1 Securities purchased under resale agreements (reverse repos)

When the Group purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

3.3.3.3.2 Debt and other financial instruments measured at amortised cost

Details of "Debt and other financial instruments measured at amortised cost" are given in Note 26 to these Financial Statements.

3.3.3.3.3 Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 20 to these Financial Statements.

3.3.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

3.3.3.4.1 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 for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding.

3.3.3.4.2 Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI.

3.3.3.5 Financial assets measured at FVTPL

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

As per SLFRS 9, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as a FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

As per LKAS 39, financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

As per LKAS 39, the Group designated financial assets at fair value through profit or loss in the following circumstances: the assets are managed, evaluated and reported internally on a fair value basis; or the designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or the asset contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss are recorded in the SOFP at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss". Interest earned is accrued in "Interest Income", using the EIR, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

3.3.4 Classification and subsequent measurement of financial liabilities

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. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

3.3.4.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities designated at fair value through profit or loss are recorded in the SOFP at fair value when The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis, or a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis.

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 Company's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the EIR.

3.3.4.2 Financial liabilities at amortised 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" or "Subordinated liabilities" 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. 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 Income Statement. Gains and losses too are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.3.5 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.3.5.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

3.3.5.2 Measurement of reclassification of financial assets

3.3.5.2.1 Reclassification of financial instruments at "Fair value through profit or loss"

- To fair value through other comprehensive income

  The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognised in the OCI.

- To amortised cost

  The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

3.3.5.2.2 Reclassification of financial instruments at "Fair value through other comprehensive income"

- To fair value through profit or loss

  The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To amortised cost

  The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

3.3.5.2.3 Reclassification of financial instruments at "amortised cost"

- To fair value through other comprehensive income

  The asset is remeasured at fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of the reclassification.

- To fair value through profit or loss

  The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

3.3.6 Derecognition of financial assets and financial liabilities

3.3.6.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its SOFP, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised, the asset is recognised to the extent of the Group's continuing involvement in the asset. The Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

3.3.6.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.3.7 Modification of financial assets and financial liabilities

3.3.7.1 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. In such cases the contractual rights to cash flows from the original financial asset are deemed to have expired. The original financial asset is derecognised and a new financial asset is recognised at fair value.

As per SLFRS 9, 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. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

As per LKAS 39, if the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using pre-modification interest rate.

3.3.7.2 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.

3.3.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.3.9 Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance. The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

3.3.10 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 2.8.4 to these Financial Statements.

3.3.11 Identification and measurement of impairment of financial assets

3.3.11.1 Overview of the ECL principles

As per SLFRS 9, the Group records an allowance for expected credit losses for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- Stage 2: If a significant increase in credit risk (SICR) since Origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.
- Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Group does not have POCI loans as at the reporting date.

The key judgements and assumptions adopted by the Group in addressing the requirements of SLFRS 9 are discussed below:

3.3.11.2 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9. The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, *inter alia* –

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments.
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or an instruments.
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- When a customer is subject to litigation that significantly affects the performance of the credit facility.
- Frequent changes in the Senior Management of an institutional customer.

- Delay in the commencement of business operations/ projects by more than two years from the originally agreed date.
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants
- When the customer is deceased/insolvent.
- When the Company is unable to contact or find the customer
- A fall of 50% or more in the turnover and/or profit before tax of the customer
- Erosion in net-worth by more than 25% when compared to the previous year

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Group determines significant increase in credit risk based on the generally accepted investment/ non-investment grade definitions published by international rating agencies. Debt instruments are moved to Stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

3.3.11.3 Definition of default and credit impaired assets

The Group considers loans and advances to other customers be defaulted when –

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 120 days past due on its contractual payments.

In addition, the Group classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is "default". In assessing whether a borrower is in default, Group reviews its individually significant loans and advances above a predefined threshold at each reporting date.

3.3.11.4 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above.

3.3.11.5 Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on individual basis include –

- Credit impaired facilities of individually significant customers
- The treasury, trading and interbank relationships (such as due from Banks, money at call and short notice, placements with Banks, Government Securities, investments in debentures etc.)

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and type of assets financed characteristics.

3.3.11.6 Identification and measurement of impairment of financial assets under LKAS 39

The Group assessed whether there was any objective evidence that financial assets not carried at fair value through profit or loss are impaired as at the reporting date. A financial asset or a group of financial assets is "impaired" when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was considered as an objective evidence of impairment.

3.3.11.6.1 Impairment of financial assets measured at amortised cost

Details of the individual and collective assessment of impairments are given in Note12 to these Financial Statements.

3.3.11.6.2 Impairment of financial investments – Available for sale

For available-for-sale financial investments, the Group assessed at each reporting date whether there was objective evidence that an investment was impaired. For debt instruments classified as AFS, the Group assessed individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. The cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss was recorded as impairment. Future interest income based on the impaired balance was accrued using the rate used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets was recorded within “Interest income”.

In the case investments classified as AFS, objective evidence also included a “significant” or “prolonged” decline in the fair value of the investment below its cost. When there was evidence of impairment, the cumulative impairment loss on such investment previously recognised in equity through the OCI was removed from equity and charged to profit or loss. Any subsequent recovery in the fair value of an available-for-sale equity instrument was recognised in OCI. The Group wrote off certain financial investments – available for sale, either partially or in full and any related provision for impairment losses, when the Group determines that there was no realistic prospect of recovery.

3.4 Non-current assets held for sale and disposal groups

The Group intends to recover the value of non-current assets and disposal groups classified as held for sale as at the reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for sale in its present condition, Management has committed to the sale and the sale is expected to have been completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard – SLFRS 5 on “Non-current Assets Held for Sale and Discontinued Operations”, these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a group of investment is impaired.

The Group recognises an impairment loss for any initial or subsequent write-down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset, only to the extent of the cumulative impairment losses that have been recognised previously. Impairment loss is first allocated to good will, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets which continue to be measured in accordance with the Group’s other accounting policies. As a result, once classified, the Group neither amortises nor depreciates the assets classified as held for sale.

In the Income Statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a NCI in a subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Income Statement.

3.5 Recognition of income and expenses

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.

(i) Interest and similar income and expense

Interest income and expenses for all financial instruments are recorded using the EIR.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as "Interest income" for financial assets and "Interest expense" for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(a) Lease

In accordance with Sri Lanka Accounting Standard LKAS 17 – Leases, recognition of finance income on leasing is accounted based on a pattern reflecting a constant periodic rate of return on capital outstanding. The excess of aggregate rentals receivable over the cost of leased assets constitutes the total unearned interest income at the commencement of the contract. The Group recognises the interest income from unearned income on the lease on an accrual basis over the term of the lease in proportion to the remaining balance of the lease.

(b) Hire purchase

Recognition of interest income from hire purchase facilities is similar to that of leases, which recognises interest income based on a pattern reflecting a constant rate of return on capital outstanding.

(c) Commercial loans and other loans and advances

Recognition of interest income from loans and advances is similar to that of leases, which recognises interest income based on a pattern reflecting a constant rate of return on the capital outstanding.

(d) Pawning

Interest on pawning are recognised on an accrual basis over a maximum period of 12 months.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services are not integral part of main source. Such income is a collection from the customers for reimbursement of Expenses. These fees include commission income and finance charge, legal fees, valuation and document charges and are recognised when earned.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(iv) Net gain from trading

Results arising from trading activities include all gains and losses from sale of financial assets and financial liabilities "held for trading".

3.6 Cash and cash equivalents

Cash and cash equivalents as referred to in the Statement of Cash Flow comprises cash on hand, non-restricted current accounts and balances on demand with an original maturity of three months or less.

3.7 Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the Income Statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with Sri Lanka Accounting Standard SLFRS 8 – "Operating Segments".

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiary are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Income Statement.

3.8 Property, plant and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write-down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The depreciation rates and estimated useful lives of the different types of assets are as follows:

The class of asset	Percentage per annum %	Useful life years
Buildings	5	20
Office equipment	10	10
Computers and other equipment	25	4
Furniture, fixtures and fittings	10	10
Motor vehicles	16.67	6
Generators	12.5	8

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 Income Statement in the year the asset is derecognised.

3.9 Intangible assets

The Group's other intangible assets include the value of computer software and license. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write-down the cost of intangible assets to their residual values over their estimated useful lives as follows:

The class of intangible assets	Useful life	Amortisation method
Computer software	8.34 years	Straight-line method

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.10 Investment property

Property held to earn rental income and property held for capital appreciation have been classified as Investment Property. Investment property are initially recognised at cost. Subsequent to the initial recognition, the investment properties are accounted using cost model.

Depreciation is calculated using the straight-line method to write-down the cost of property to their residual values over their estimated useful lives. Land is not depreciated. Buildings are estimated to have a useful life of 20 years, the depreciation rate adopted is 5% per annum.

3.11 Employee benefits

(i) Defined benefit plan

The cost of providing benefits under the defined benefit plan is determined separately using the Projected Unit Credit method. This method involves estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The past service cost is recognised as an expense on a straight line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service cost is recognised immediately.

The latest actuarial valuation was carried out as at 31 March 2019, by Piyal S Gunatilleke FSA (USA), a Fellow of the Society of Actuaries (USA), Member of the American Academy of Actuaries, Consulting Actuary.

The principal financial assumptions used in the valuation are –

Interest/discount rate	12% p.a.
Basic salary increase for all grades	7.5% p.a.
Retirement age	55 years

The actuarial gain or losses are recognised in the Income Statement in the year in which they arise.

Funding arrangement

The gratuity liabilities are not externally funded.

Gratuity payments are made by the Group according to the Payment of Gratuity Act No. 12 of 1983. Accordingly, the Group is liable to pay gratuity to employees who have completed a minimum of five year service in the Group at the rate of 50% of the last drawn salary for each completed year of service.

(ii) Defined contribution plan

The Group contributes to the following schemes:

(a) Employees' provident fund

The Group and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

(b) Employees' trust fund

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 of the Central Bank of Sri Lanka.

3.12 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 of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.13 Taxes

(i) Current taxation

Current tax assets and liabilities consists of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and the amendment thereto, at the rates specified in the Financial Statements.

(ii) Deferred taxation

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 liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible differences. Carry 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 each reporting date 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 each reporting date and are recognise to the extent that is probable that 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 substantially enacted at the reporting date.

(iii) Value added tax on financial services

Company's total value addition is subject to a 15% value added tax as per Section 25A of the Value Added Tax No. 14 of 2002 and amendments thereto. The amount of VAT on Financial Statements charged in determining the profit or loss for the period is given in Note 15 to these Financial Statements.

(iv) Nation building tax on financial services

With effect from 1 January 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on financial services. The amount of MBT on FS charged in determining the profit or loss for the period is given in Note 15 to these Financial Statements.

(v) Crop insurance levy

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

(vi) Withholding tax on dividends distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

(vii) Economic service charges (ESC)

As per the Finance Act No. 11 of 2004, and amendments thereto, ESC was introduced with effect from 1 April 2004. Currently, the ESC is payable at 0.5% on liable turnover of the Company and is deductible against subsequent income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years.

(viii) Debt repayment levy (DRL)

As per the Finance Act No. 35 of 2018, with effect from 1 October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same basis used for calculation of VAT on financial services.

The amount of DRL charged in determining the profit or loss for the period is given in Note 15 to these Financial Statements.

3.14 Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all Licensed Finance Companies (LFC) are required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits includes all the time deposits held by the LFC except for –

(a) Deposit liabilities to member institutions

(b) Deposit liabilities to the Government of Sri Lanka inclusive of Ministers, Departments and Local Governments.

(c) Deposit liabilities to Directors, Key Management Personnel and other related parties as defined by the Finance Companies Act (Corporate Governance) Direction No. 03 of 2008.

(d) Deposit liabilities held as collateral against any accommodation granted.

(e) Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central Company of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

3.15 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing services (Business Segment).

In accordance with Sri Lanka Financial Reporting Standard SLFRS 08 – "Operating Segments", segmental information is presented in respect of the Group. The segments comprise of financing and investing segments. Segment results, assets and liabilities include those items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly of head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

3.16 Events after the reporting date

Events after the reporting date are those events, favourable and unfavourable, 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 date have been considered and appropriate disclosures are made in Note 47 to these Financial Statements where necessary.

3.17 Earnings per share

The Group presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The details of the earnings per share are given in Note 17 to these Financial Statements.

3.18 Maturity analysis

The Company has disclosed an analysis of assets and liabilities in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

3.19 Cash flow statement

The Cash Flow Statement has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7 – "Statement of 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 and money market funds.

3.20 Commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised 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. The Company's share of any contingencies and capital commitments of a Subsidiary for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

3.21 New accounting standards issued but not yet effective

Sri Lanka Accounting Standard SLFRS – 16 "Leases" (SLFRS 16) which has been issued but not yet effective as at the reporting date, has not been applied in preparing these Consolidated Financial Statements. The Group plans to apply this Standard on the respective effective date:

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there will be a single on-balance sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The possible impact on the Financial Statements of the Group is expected to be minimal.

4. Transition disclosures

4.1 The impact on the Statement of Financial Position

Following table set out the impact of adopting SLFRS 9 and SLFRS 15 on the Statement of Financial Position, and retained earnings including the effect of replacing LKAS 39's incurred credit loss model with SLFRS 9's Expected Credit Loss model (ECL).

	Measurement as at 31 March 2018	
	Category	**LKR**
Company		
Financial assets		
Cash and cash equivalents	Loans and receivable	764,909,318
Deposits with licensed commercial banks	Loans and receivable	588,383,766
Repurchase agreements	Loans and receivable	2,899,624,179
Financial assets held at fair value through profit or loss	Fair value through profit or loss	87,479,831
Finance leases and hire purchases	Loans and receivable	24,049,704,770
Other loans and receivables	Loans and receivable	3,752,080,667
Financial assets available for sale	Available for sale	113,006,657
Financial assets held to maturity	Held to maturity	967,518,989
Total financial assets		33,222,708,177
Total financial assets subject to transition impact		33,222,708,177
Financial liabilities		
Due to banks	Financial liabilities at amortised cost	6,008,726,566
Deposits from customers	Financial liabilities at amortised cost	9,507,133,790
Other borrowings	Financial liabilities at amortised cost	9,367,632,765
Debt securities issued	Financial liabilities at amortised cost	3,127,018,895
Subordinated debentures	Financial liabilities at amortised cost	1,272,876,786
Total financial liabilities		29,283,388,802
Non-financial liabilities		
Other liabilities		555,520,066
Total non-financial liabilities		555,520,066
Total liabilities subject to transition impact		29,838,908,868

Reclassification LKR	Remeasurement ECL LKR	Remeasurement Other LKR	SLFRS 9 and 15 LKR	Measurement as at 1 April 2018 Category
–	(7,495)	–	764,901,823	Financial assets at amortised cost
–	(26,854)	–	588,356,912	Financial assets at amortised cost
–	–	–	2,899,624,179	Financial assets at amortised cost
102,302,651	–	–	189,782,482	Fair value through profit or loss
–	(353,893,720)	–	23,695,811,050	Financial assets at amortised cost
–	(51,970,217)	–	3,700,110,450	Financial assets at amortised cost
(102,302,651)	–	–	10,704,006	Fair value through other comprehensive income
–	–	–	967,518,989	Financial assets at amortised cost
–	(405,898,286)	–	32,816,809,891	
–	(405,898,286)	–	32,816,809,891	
–	–	–	6,008,726,566	Financial liabilities at amortised cost
–	–	–	9,507,133,790	Financial liabilities at amortised cost
–	–	–	9,367,632,765	Financial liabilities at amortised cost
–	–	–	3,127,018,895	Financial liabilities at amortised cost
–	–	–	1,272,876,786	Financial liabilities at amortised cost
–	–	–	29,283,388,802	
–	–	57,622,690	613,142,756	Revenue from contracts with customers – SLFRS 15
–	–	57,622,690	613,142,756	
–	–	57,622,690	29,896,531,558	

4. Transition disclosures (continued)

4.1 The impact on the Statement of Financial Position (continued)

	LKAS 39 "Measurement" as at 31 March 2018	
	Category	LKR
Group		
Financial assets		
Cash and cash equivalents	Loans and receivable	817,948,235
Deposits with licensed commercial banks	Loans and receivable	588,383,766
Repurchase agreements	Loans and receivable	2,899,624,179
Financial assets held at fair value through profit or loss	Fair value through profit or loss	87,479,831
Finance leases and hire purchases	Loans and receivable	24,049,704,770
Other loans and receivables	Loans and receivable	3,752,080,667
Financial assets available for sale	Available for sale	113,006,657
Financial assets held to maturity	Held to maturity	967,518,989
Total financial assets		33,275,747,094
Total financial assets subject to transition impact		33,275,747,094
Financial liabilities		
Due to banks	Financial liabilities at amortised cost	6,060,439,800
Deposits from customers	Financial liabilities at amortised cost	9,465,455,334
Other borrowings	Financial liabilities at amortised cost	9,367,632,765
Debt securities issued	Financial liabilities at amortised cost	3,127,018,895
Subordinated debentures	Financial liabilities at amortised cost	1,272,876,786
Total financial liabilities		29,293,423,580
Non-financial liabilities		
Other liabilities		559,828,823
Total non-financial liabilities		559,828,823
Total liabilities subject to transition impact		29,853,252,403

Reclassification	Remeasurement		SLFRS 9 and 15	Measurement as at 1 April 2018
LKR	ECL LKR	Other LKR	LKR	Category
–	(7,495)	–	817,940,740	Financial assets at amortised cost
–	(26,854)	–	588,356,912	Financial assets at amortised cost
–	–	–	2,899,624,179	Financial assets at amortised cost
102,302,651	–	–	189,782,482	Fair value through profit or loss
–	(353,893,720)	–	23,695,811,050	Financial assets at amortised cost
–	(51,970,217)	–	3,700,110,450	Financial assets at amortised cost
(102,302,651)	–	–	10,704,006	Fair value through other comprehensive income
–	–	–	967,518,989	Financial assets at amortised cost
–	(405,898,286)	–	32,869,848,808	
–	(405,898,286)	–	32,869,848,808	
–	–	–	6,060,439,800	Financial liabilities at amortised cost
–	–	–	9,465,455,334	Financial liabilities at amortised cost
–	–	–	9,367,632,765	Financial liabilities at amortised cost
–	–	–	3,127,018,895	Financial liabilities at amortised cost
–	–	–	1,272,876,786	Financial liabilities at amortised cost
–	–	–	29,293,423,580	
–	–	57,622,690	617,451,513	Revenue from Contracts with Customers – SLFRS 15
–	–	57,622,690	617,451,513	
–	–	57,622,690	29,910,875,093	

4. Transition disclosures (continued)

4.2 Impact on reserves and retained earnings

The following table summaries the impact, net of tax, of transition to SLFRS 9 – Financial Instruments and SLFRS 15 – Revenue from contracts with customers on reserves and retained earnings as at 1 April 2018:

	Retained earnings LKR	Available-for-sale reserve LKR
Company		
Closing balance as per LKAS – 39 (31 March 2018)	3,071,416,182	7,171,473
Impact on reclassification and measurements:		
Classification of quoted and unquoted units as financial assets measured at FVTPL	7,171,473	(7,171,473)
Impact on recognition of expected credit losses:		
Expected credit losses under SLFRS 9 for		
– Loans and receivable to customers	(405,863,937)	–
– Other financial investments	(34,349)	–
Opening balance as per SLFRS 9 – Initial application (1 April 2018)	2,672,689,369	–
Differed loan protection fee income – SLFRS 15 – Initial application	(57,622,690)	–
Opening balance as per SLFRSs 9 and 15 – Initial application	2,615,066,679	–

	Retained earnings LKR	Available-for-sale reserve LKR
Group		
Closing balance as per LKAS 39 – (31 March 2018)	3,018,800,701	7,171,473
Impact on reclassification and measurements:		
Classification of quoted and unquoted units as financial assets measured at FVTPL	7,171,473	(7,171,473)
Impact on recognition of expected credit losses:		
Expected credit losses under SLFRS 9 for		
– Loans and receivable to customers	(405,863,937)	–
– Other financial investments	(34,349)	–
Opening balance as per SLFRS 9 – Initial application (1 April 2018)	2,620,073,888	–
Differed loan protection fee income SLFRS 15 – Initial application	(57,622,690)	–
Opening balance as per SLFRSs 9 and 15 – Initial application	2,562,451,198	–

4.3 Classification of financial assets on the date of initial application of SLFRS 9 – "Financial Instruments"

The following table shows the original measurement categories as per LKAS 39 – "Financial Instruments: Recognition and Measurement" and the new measurement categories as per SLFRS 9 – "Financial Instruments" along with their carrying amounts for each class of the Company's and of the Group's financial assets as at 1 April 2018.

Financial assets

	Original classification as per LKAS 39	New classification as per SLFRS 9	Original carrying Amount as per LKAS 39 LKR	New carrying amount as per SLFRS 9 LKR
Company				
Cash and cash equivalents	Loans and receivables measured at amortised cost	Measured at amortised cost	764,909,318	764,901,823
Deposits with licensed commercial banks	Loans and receivables measured at amortised cost	Measured at amortised cost	588,383,766	588,356,912
Repurchase agreements	Loans and receivables measured at amortised cost	Measured at amortised cost	2,899,624,179	2,899,624,179
Financial assets held at FVTPL				
– Quoted equity investments	Held-for-trading measured at fair value	Measured at FVTPL	85,104,831	85,104,831
– Quoted units	Held-for-trading measured at fair value	Measured at FVTPL	2,375,000	2,375,000
– Unquoted units	Available-for-sale measured at fair value	Measured at FVTPL	–	102,302,651
Loans and receivables	Loans and receivables measured at amortised cost	Measured at amortised cost	27,801,785,437	27,395,921,500
Other investment securities				
– Unquoted units	Available-for-sale measured at fair value	Measured at FVTPL	102,302,651	–
– Unquoted shares	Available-for-sale measured at fair value	Irrevocably elected to measure at FVOCI	10,704,006	10,704,006
Financial assets at amortised cost – Other financial instruments/held to maturity	Held-to-maturity at amortised cost	Measured at amortised cost	967,518,989	967,518,989
Total financial assets			33,222,708,177	32,816,809,891

4.3 Classification of financial assets on the date of initial application of SLFRS 9 – "Financial Instruments" (continued)

	Original classification as per LKAS 39	New classification as per SLFRS 9	Original carrying Amount as per LKAS 39 LKR	New carrying amount as per SLFRS 9 LKR
Group				
Cash and cash equivalents	Loans and receivables measured at amortised cost	Measured at amortised cost	817,948,235	817,940,740
Deposits with licensed commercial banks	Loans and receivables measured at amortised cost	Measured at amortised cost	588,383,766	588,356,912
Repurchase agreements	Loans and receivables measured at amortised cost	Measured at amortised cost	2,899,624,179	2,899,624,179
Financial assets held at FVTPL				
– Quoted equity investments	Held-for-trading measured at fair value	Measured at FVTPL	85,104,831	85,104,831
– Quoted units	Held-for-trading measured at fair value	Measured at FVTPL	2,375,000	2,375,000
– Unquoted units	Available-for-sale measured at fair value	Measured at FVTPL	–	102,302,651
Loans and receivables	Loans and receivables measured at amortised cost	Measured at amortised cost	27,801,785,437	27,395,921,500
Other investment securities				
– Unquoted units	Available-for-sale measured at fair value	Measured at FVTPL	102,302,651	–
– Unquoted shares	Available-for-sale measured at fair value	Irrevocably elected to Measure at FVOCI	10,704,006	10,704,006
Financial assets at amortised cost – Other financial instruments/held to maturity	Held-to-maturity at amortised cost	Measured at amortised cost	967,518,989	967,518,989
Total financial assets			33,275,747,094	32,869,848,808

4.4 Classification of financial liabilities on the date of initial application of SLFRS 9 – "Financial Instruments"

The following table shows the original measurement categories as per LKAS 39 – "Financial Instruments: Recognition and Measurement" and the new measurement categories as per SLFRS 9 – "Financial Instruments" along with their carrying amount for each class of the Company's and of the Group's financial liabilities as at 1 April 2018.

Financial liabilities

	Original classification as per LKAS 39	New classification as per SLFRS 9	Original carrying Amount as per LKAS 39 LKR	New carrying amount as per SLFRS 9 LKR
Company				
Due to banks	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	6,008,726,566	6,008,726,566
Deposits from customers	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	9,507,133,790	9,507,133,790
Debt securities issued	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	4,399,895,681	4,399,895,681
Other interest-bearing borrowings	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	9,367,632,765	9,367,632,765
Total financial liabilities			29,283,388,802	29,283,388,802

	Original classification as per LKAS 39	New classification as per SLFRS 9	Original carrying Amount as per LKAS 39 LKR	New carrying amount as per SLFRS 9 LKR
Group				
Due to banks	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	6,060,439,800	6,060,439,800
Deposits from customers	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	9,465,455,334	9,465,455,334
Debt securities issued	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	4,399,895,681	4,399,895,681
Other interest bearing borrowings	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost	9,367,632,765	9,367,632,765
Total financial liabilities			29,293,423,580	29,293,423,580

5. Interest income

For the year ended 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Cash and short-term funds		**24,197,295**	22,702,413	**25,615,585**	24,752,846
Fixed deposits		**149,531,500**	136,406,643	**149,531,500**	136,406,643
Repurchase agreements	5.1	**91,035,595**	85,313,932	**91,035,595**	85,313,932
Financial assets at amortised cost					
– Finance leases and hire purchases		**4,986,244,406**	4,406,413,179	**4,986,244,406**	4,406,413,179
– Commercial loans		**386,726,476**	601,710,389	**386,726,476**	601,710,389
– Personal loans		**40,317,232**	34,253,065	**40,317,232**	34,253,065
– Pawning advances		**246,654,396**	176,624,867	**246,654,396**	176,624,867
– Fixed deposit loans		**13,581,344**	12,619,217	**13,581,344**	12,619,217
– Other financial instruments/ held to maturity	5.1	**93,387,345**	99,981,236	**93,387,345**	99,981,236
Interest on delayed insurance premium		**105,277,543**	97,783,891	**105,277,543**	97,783,891
Interest on overdue rentals		**858,650,048**	798,305,700	**858,650,048**	798,305,700
		6,995,603,180	6,472,114,532	**6,997,021,470**	6,474,164,965

5.1 Notional tax credit for withholding tax on Government securities on secondary market transactions

The interest income from secondary market transactions of Government securities have been grossed up in the Financial Statement of 31 March 2018, with the resulting notional tax credit amounting to LKR 18,529,517/- as per the Section 137 of the Inland Revenue Act No.10 of 2006 which prevailed up to 31 March 2018.

However, notional tax credit has not been recognised in the Financial Statement after 1 April 2018 in accordance with the Inland Revenue Act No. 24 of 2017.

6. Interest expense

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Due to banks	**813,139,129**	834,712,421	**813,139,129**	834,712,421
Financial liabilities at amortised cost				
– Due to depositors	**1,187,175,569**	1,025,678,889	**1,182,272,353**	1,021,084,668
– Other borrowings	**1,137,524,045**	719,264,934	**1,137,524,045**	719,264,934
– Commercial paper	**98,961,191**	219,284,279	**98,961,191**	219,284,279
Debt securities issued	**391,987,230**	423,757,564	**391,987,230**	423,757,564
Subordinated liabilities	**130,744,191**	187,365,594	**130,744,191**	187,365,594
	3,759,531,355	3,410,063,681	**3,754,628,139**	3,405,469,460

7. Fee and commission income

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Finance charges	**51,683,774**	49,835,835	**51,683,774**	49,835,835
Loan protection fee	**42,514,365**	37,898,029	**42,514,365**	37,898,029
Commission income	**83,891**	141,940	**133,718,554**	144,121,384
Legal fees	**9,581,855**	10,828,630	**9,581,855**	10,828,630
Inspection fees	**473,605**	1,545,230	**473,605**	1,545,230
	104,337,490	100,249,664	**237,972,153**	244,229,108

8. Fee and commission expense

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Commission paid	**12,340,437**	26,346,582	**12,340,437**	26,346,582
Other	**10,939,548**	10,178,886	**10,939,548**	10,178,886
	23,279,985	36,525,468	**23,279,985**	36,525,468

9. Net gain from trading

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Equities	**2,289,975**	1,656,313	**2,289,975**	1,656,313
Financial assets available for sale	**–**	5,496,247	**–**	5,496,247
	2,289,975	7,152,560	**2,289,975**	7,152,560

10. Net gain/(loss) from financial instruments designated at fair value through profit or loss

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Financial assets designated at fair value through profit or loss	**(22,136,573)**	2,015,455	**(22,136,573)**	2,015,455
	(22,136,573)	2,015,455	**(22,136,573)**	2,015,455

11. Other operating income

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Dividend income	81,714,358	94,268,382	2,594,358	2,918,382
Gain from sale of fixed assets	45,580,900	66,838,726	45,580,900	66,838,726
Rent income	18,930,755	4,573,913	18,630,755	19,990,913
Other income	47,280,774	23,005,959	47,280,774	15,960,959
Foreign exchange gain	143,728	110,530	143,728	110,530
	193,650,515	188,797,510	114,230,515	105,819,510

12. Impairment charges and other credit losses

12.1 Impairment charges and other credit losses on financial assets as per SLFRS 9 – "Financial Instruments" (Applicable from 1 April 2018)

For the year ended 31 March	2019 Company LKR	2019 Group LKR
Impairment charge/(reversal) on individual impairment		
– Finance leases and hire purchases	143,852,508	143,852,508
– Commercial loans	(23,169,969)	(23,169,969)
	120,682,539	120,682,539
Expected credit losses (ECL)		
– Cash and cash equivalents	(370)	(370)
– Deposits with licensed commercial banks	56,018	56,018
– Finance leases and hire purchases	93,756,572	93,756,572
– Commercial loans	91,595,508	91,595,508
– Pawning advances	1,187,779	1,187,779
– Other advances	35,294,061	35,294,061
	221,889,568	221,889,568
Direct write-offs	30,191,540	30,191,540
Net loss on sale of repossessed assets	110,999,514	110,999,514
Gain from auction of pawned articles	(133,860)	(133,860)
Recovery of loans previously written off	(39,267,215)	(39,267,215)
	444,362,086	444,362,086

12.2 Impairment charges and other credit losses on financial assets as per LKAS 39 – "Financial Instruments: Recognition and Measurement" (Applicable before 1 April 2018)

For the year ended 31 March	2018	
	Company LKR	Group LKR
Impairment charge/(reversal) on individual impairment		
Finance leases and hire purchases	18,913,201	18,913,201
Commercial loans	65,016,036	65,016,036
Personnel loans	(1,438)	(1,438)
	83,927,799	83,927,799
Impairment charge/(reversal) on collective impairment		
Finance leases and hire purchases	(15,390,880)	(15,390,880)
Commercial loans	36,263,119	36,263,119
Pawning advances	(32,175)	(32,175)
Other advances	(97,572)	(97,572)
	20,742,492	20,742,492
Net loss on sale of repossessed assets	9,311,832	9,311,832
Loss on auction of pawned articles	867,733	867,733
Recovery of loans previously written off	(59,340,255)	(59,340,255)
	55,509,601	55,509,601

13. Personnel expenses

For the year ended 31 March	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Salaries and wages	**457,330,272**	402,983,324	**460,517,395**	405,917,984
Directors' emoluments	**22,758,780**	22,958,565	**22,758,780**	22,958,565
Employers' contribution to Employees' Provident Fund	**54,473,688**	48,206,239	**54,841,743**	48,543,997
Employers' contribution to Employees' Trust Fund	**13,618,422**	12,051,560	**13,710,436**	12,136,001
Contribution for defined benefit plan	**17,939,458**	16,512,685	**18,156,112**	16,687,932
Performance incentives	**123,250,799**	108,289,284	**124,100,684**	109,119,306
Other personnel costs	**12,003,000**	10,442,656	**12,042,760**	10,504,445
	701,374,419	621,444,313	**706,127,910**	625,868,230

14. Other operating expenses

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
External auditors' remuneration – Audit fee and expenses	**1,320,000**	1,200,000	**1,799,871**	1,631,986
– Audit-related services	**2,652,758**	1,470,876	**2,652,758**	1,470,876
Internal auditors' remuneration	**5,808,000**	5,400,000	**5,808,000**	5,400,000
Legal expenses	**10,798,826**	9,466,265	**10,798,826**	9,466,265
Contribution to deposit insurance scheme of CBSL	**13,590,498**	11,635,998	**13,590,498**	11,635,998
Other administrative expenses	**138,127,002**	98,836,922	**138,821,919**	100,216,432
Establishment expenses	**602,171,620**	543,487,908	**603,394,709**	544,470,808
Selling expenses	**58,161,994**	63,825,386	**60,898,747**	66,761,651
	832,630,698	735,323,355	**837,765,328**	741,054,016

15. Taxes on financial services

For the year ended 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Value added tax	**180,237,892**	215,087,882	**180,237,892**	215,087,882
Nation building tax	**24,253,559**	34,699,196	**24,253,559**	34,699,196
Debt repayment levy	**45,494,849**	–	**45,494,849**	–
	249,986,300	249,787,078	**249,986,300**	249,787,078

16. Income tax expense

For the year ended 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Current tax expense					
Current income tax charge	16.1	**381,171,631**	151,081,988	**417,621,136**	199,753,131
Over provision in respect of previous years		**–**	(53,379,857)	**–**	(53,379,857)
Withholding tax on inter-company dividends		**–**	–	**12,880,000**	10,150,000
		381,171,631	97,702,131	**430,501,136**	156,523,274
Deferred tax expense					
Origination of temporary differences		**(402,491,552)**	255,042,242	**(402,556,779)**	251,813,110
		(21,319,921)	352,744,373	**27,944,357**	408,336,384

16.1 Reconciliation of the total tax charge

For the year ended 31 March	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Net profit before tax	**929,283,773**	1,357,415,691	**913,902,042**	1,410,678,709
Adjustments				
Exempt/allowable income	**130,062,286**	(1,142,582,347)	**274,002,501**	(1,026,073,430)
Disallowable expenses	**951,148,500**	679,272,078	**952,988,349**	683,781,319
Allowable expenses	**(649,167,304)**	(354,526,895)	**(649,310,817)**	(354,718,860)
Loss on leasing business	**–**	–	**–**	(263,699)
Taxable income	**1,361,327,255**	539,578,527	**1,491,582,075**	713,404,039
Income tax rate (%)	**28**	28	**28**	28
Tax expense for the year	**381,171,631**	151,081,988	**417,642,981**	199,753,131
Effective tax rate (%)	**41.02**	11.13	**45.70**	14.16

17. Basic earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31 March	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Profit attributable to ordinary shareholders of the Company	**950,603,694**	1,004,671,318	**885,957,685**	1,002,342,325
Weighted average number of ordinary shares	**72,475,061**	71,932,177	**72,475,061**	71,932,177
Basic earnings per ordinary share	**13.12**	13.97	**12.22**	13.93

18. Dividend per share

Dividends per share is calculated by dividing dividends paid to ordinary shareholders of the Company, by the number of ordinary shares in issue.

For the year ended 31 March	Company	
	2019 LKR	2018 LKR
3rd interim dividend paid (2017/18 – LKR 1.00, 2016/17 – LKR 0.60)	**72,475,061**	39,136,533
Final dividend paid (2017/18 – LKR 0.95, 2016/17 – LKR 0.95)	**68,851,308**	68,851,308
1st interim dividend paid (2018/19 – LKR 0.40, 2017/18 – LKR 0.50)	**28,990,024**	36,237,530
2nd interim dividend paid (2018/19 – LKR 0.80, 2017/18 – LKR 0.95)	**57,980,049**	68,851,308
Gross dividend paid to ordinary shareholders	**228,296,442**	213,076,679
Gross dividend per share	**3.15**	3.00

19. Classification of Financial assets and liabilities

19.1 As per SLFRS 9 – "Financial Instruments"

As at 31 March 2019		Classification of financial assets				
	Note	FVTPL LKR	FVTOCI LKR	Amortised cost LKR	Financial liabilities measured at amortised cost LKR	Total LKR
Company						
Cash and cash equivalents	20	–	–	720,853,597	–	720,853,597
Deposits with licensed commercial banks	21	–	–	1,350,947,501	–	1,350,947,501
Repurchase agreements		–	–	1,515,652,849	–	1,515,652,849
Financial assets measured at FVTPL	22	167,900,307	–	–	–	167,900,307
Loans and other receivables	23 and 24	–	–	29,069,748,709	–	29,069,748,709
Financial assets measured at fair value through other comprehensive income/ financial assets available for sale	25		14,597,603	–	–	14,597,603
Financial assets at amortised cost – Other financial instruments/held to maturity	26	–	–	1,044,295,261	–	1,044,295,261
Total financial assets		167,900,307	14,597,603	33,701,497,917	–	33,883,995,827
Non-financial assets		–	–	–	–	2,899,067,442
Total assets		167,900,307	14,597,603	33,701,497,917	–	36,783,063,269
Due to banks	32	–	–	–	7,698,196,509	7,698,196,509
Financial liabilities at amortised cost – Due to depositors	33	–	–	–	10,008,976,046	10,008,976,046
Financial liabilities at amortised cost – Other borrowings	34	–	–	–	9,564,781,494	9,564,781,494
Debt securities issued	35 and 36	–	–	–	2,732,047,895	2,732,047,895
Total financial liabilities		–	–	–	30,004,001,944	30,004,001,944
Non-financial liabilities		–	–	–	–	1,482,020,623
Total liabilities		–	–	–	30,004,001,944	31,486,022,567

As at 31 March 2019		Classification of financial assets				
	Note	FVTPL LKR	FVTOCI LKR	Amortised cost LKR	Financial liabilities measured at amortised cost LKR	Total LKR
Group						
Cash and cash equivalents	20	–	–	724,775,309	–	724,775,309
Deposits with licensed commercial banks	21	–	–	1,350,947,501	–	1,350,947,501
Repurchase agreements		–	–	1,515,652,849	–	1,515,652,849
Financial assets measured at FVTPL	22	167,900,307	–	–	–	167,900,307
Loans and other receivables	24 and 25	–	–	29,069,748,709	–	29,069,748,709
Financial assets measured at fair value through other comprehensive income/ financial assets available for sale	25	–	14,597,603	–	–	14,597,603
Financial assets at amortised cost – Other financial instruments/held to maturity	26	–	–	1,044,295,261	–	1,044,295,261
Total financial assets		167,900,307	14,597,603	33,705,419,629	–	33,887,917,539
Non-financial assets		–	–	–	–	2,464,954,618
Total assets		167,900,307	14,597,603	33,705,419,629	–	36,352,872,157
Due to banks	32	–	–	–	7,698,196,509	7,698,196,509
Financial liabilities at amortised cost – Due to depositors	33	–	–	–	9,957,561,479	9,957,561,479
Financial liabilities at amortised cost – Other borrowings	34	–	–	–	9,564,781,494	9,564,781,494
Debt securities issued	35 and 36	–	–	–	2,732,047,895	2,732,047,895
Total financial liabilities		–	–	–	29,952,837,377	29,952,837,377
Non-financial liabilities		–	–	–	–	1,215,544,522
Total liabilities		–	–	–	29,952,587,377	31,168,131,899

19. Classification of Financial assets and liabilities (continued)

19.2 "Financial Instruments: Recognition and Measurement"

As at 31 March 2018		Classification of financial assets					
	Note	FVTPL LKR	AFS LKR	Loans and receivables LKR	Held to maturity LKR	Financial liabilities measured at amortised cost LKR	Total LKR
Company							
Cash and cash equivalents	20	–	–	764,909,318	–	–	764,909,318
Deposits with licensed commercial banks	21	–	–	588,383,766	–	–	588,383,766
Repurchase agreements		–	–	2,899,624,179	–	–	2,899,624,179
Financial assets measured at FVTPL	22	87,479,831	–	–	–	–	87,479,831
Loans and other receivables	23 and 24	–	–	27,801,785,437	–	–	27,801,785,437
Financial assets available for sale	25	–	113,006,657	–	–	–	113,006,657
Financial assets held to maturity	26	–	–	–	967,518,989	–	967,518,989
Total financial assets		87,479,831	113,006,657	32,054,702,700	967,518,989	–	33,222,708,177
Non-financial assets		–	–	–	–	–	2,881,111,651
Total assets		87,479,831	113,006,657	32,054,702,700	967,518,989	–	36,103,819,828
Due to banks	32	–	–	–	–	6,008,726,566	6,008,726,566
Deposits from customers	33	–	–	–	–	9,507,133,790	9,507,133,790
Other interest-bearing borrowings	34	–	–	–	–	9,367,632,765	9,367,632,765
Debt securities issued	36 and 37	–	–	–	–	4,399,895,681	4,399,895,681
Total financial liabilities		–	–	–	–	29,283,388,802	29,283,388,802
Non-financial liabilities		–	–	–	–	–	1,788,944,658
Total liabilities		–	–	–	–	29,283,388,802	31,072,333,460

As at 31 March 2018		Classification of financial assets					
		FVTPL	AFS	Loans and receivables	Held to maturity	Financial liabilities measured at amortised cost	Total
	Note	LKR	LKR	LKR	LKR	LKR	LKR
Group							
Cash and cash equivalents	20	–	–	817,948,235	–	–	817,948,235
Deposits with licensed commercial banks	21	–	–	588,383,766	–	–	588,383,766
Repurchase agreements		–	–	2,899,624,179	–	–	2,899,624,179
Financial assets measured at FVTPL	22	87,479,831	–	–	–	–	87,479,831
Loans and other receivables	23 and 24	–	–	27,801,785,437	–	–	27,801,785,437
Financial assets available for sale	25	–	113,006,657	–	–	–	113,006,657
Financial assets held to maturity	26	–	–	–	967,518,989	–	967,518,989
Total financial assets		87,479,831	113,006,657	32,107,741,617	967,518,989	–	33,275,747,094
Non-financial assets		–	–	–	–	–	2,503,681,600
Total assets		87,479,831	113,006,657	32,107,741,617	967,518,989	–	35,779,428,694
Due to banks	32	–	–	–	–	6,060,439,800	6,060,439,800
Deposits from customers	33	–	–	–	–	9,465,455,334	9,465,455,334
Other interest-bearing borrowings	34	–	–	–	–	9,367,632,765	9,367,632,765
Debt securities issued	35 and 36	–	–	–	–	4,399,895,681	4,399,895,681
Total financial liabilities		–	–	–	–	29,293,423,580	29,293,423,580
Non-financial liabilities		–	–	–	–	–	1,502,173,181
Total liabilities		–	–	–	–	29,293,423,580	30,795,596,761

20. Cash and cash equivalents

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Cash in hand held in local currency		**380,192,729**	383,722,941	**380,654,052**	383,747,941
Cash in hand held in foreign currency		**126,224**	67,466	**126,224**	67,466
Balances with licensed commercial banks		**340,541,769**	381,118,911	**344,002,158**	434,132,828
Gross cash and cash equivalents*		**720,860,722**	764,909,318	**724,782,434**	817,948,235
Less: Allowance for impairment losses	20.1	**(7,125)**	–	**(7,125)**	–
Net cash and cash equivalents		**720,853,597**	764,909,318	**724,775,309**	817,948,235

**Gross cash and cash equivalents are reported in the Statement of Cash Flows.*

20.1 Movement in allowance for collective impairment

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year	**–**	–	**–**	–
Impact of adoption of SLFRS 9 as of 1 April 2018	**7,495**	–	**7,495**	–
Balance at the beginning of the year (As per SLFRS 9)	**7,495**	–	**7,495**	–
Reversal for the year	**(370)**	–	**(370)**	–
Balance at the end of the year	**7,125**	–	**7,125**	–

21. Deposits with licensed commercial banks

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Fixed deposits		**1,351,030,373**	588,383,766	**1,351,030,373**	588,383,766
Less: Allowance for impairment losses	21.1	**(82,872)**	–	**(82,872)**	–
Net deposits with licensed commercial banks		**1,350,947,501**	588,383,766	**1,350,947,501**	588,383,766

21.1 Movement in allowance for collective impairment

As at 31 March	Company 2019 LKR	Company 2019 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year	**–**	–	**–**	–
Impact of adoption of SLFRS 9 as of 1 April 2018	**26,854**	–	**26,854**	–
Balance at the beginning of the year (As per SLFRS 9)	**26,854**	–	**26,854**	–
Charge for the year	**56,018**	–	**56,018**	–
Balance at the end of the year	**82,872**	–	**82,872**	–

22. Financial assets held at fair value through profit or loss

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Quoted equity	22.1	**67,905,307**	85,104,831	**67,905,307**	85,104,831
Quoted unit trust	22.2	**2,150,000**	2,375,000	**2,150,000**	2,375,000
Unquoted unit trust	22.3	**97,845,000**	–	**97,845,000**	–
		167,900,307	87,479,831	**167,900,307**	87,479,831

22. Financial assets held at fair value through profit or loss (continued)

22.1 Quoted equity

As at 31 March	Note	Company 2019 Number of shares	Company 2019 Cost LKR	Company 2019 Market value LKR	Company 2018 Number of shares	Company 2018 Cost LKR	Company 2018 Market value LKR
Bank, finance and insurance							
Central Finance Company PLC		46,672	243,207	3,943,784	46,266	243,207	4,621,973
National Development Bank		756	4,390	67,541	693	4,390	92,238
Commercial Bank of Ceylon PLC		4,785	469,342	472,280	4,725	469,342	491,400
Beverage, food and tobacco							
Ceylon Tobacco PLC		3,100	142,017	4,153,690	3,100	142,017	3,224,000
Hotels and travels							
Aitken Spence PLC		495	3,355	20,295	495	3,355	25,047
Manufacturing							
Royal Ceramics Lanka PLC		20	273	1,180	20	273	2,108
Diversified holdings							
John Keells Holdings PLC		4,462	164,976	696,072	4,462	164,976	712,135
Hayleys PLC		113	7,175	18,984	113	7,175	22,679
Trading							
Lanka Indian Oil Corporation PLC		5,500	148,500	95,700	5,500	148,500	165,550
Portfolio Investment	22.1.1		69,073,102	58,435,781		68,818,703	75,747,700
			70,256,337	67,905,307		70,001,938	85,104,831

Group					
2019			2018		
Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
46,672	243,207	3,943,784	46,266	243,207	4,621,973
756	4,390	67,541	693	4,390	92,238
4,785	469,342	472,280	4,725	469,342	491,400
3,100	142,017	4,153,690	3,100	142,017	3,224,000
495	3,355	20,295	495	3,355	25,047
20	273	1,180	20	273	2,108
4,462	164,976	696,072	4,462	164,976	712,135
113	7,175	18,984	113	7,175	22,679
5,500	148,500	95,700	5,500	148,500	165,550
	69,073,102	58,435,781		68,818,703	75,747,700
	70,256,337	67,905,307		70,001,938	85,104,831

22. Financial assets held at fair value through profit or loss (continued)

22.1.1 Portfolio investment

As at 31 March	Company					
	2019			2018		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
Bank finance and insurance						
Ceylinco Insurance PLC (non-voting)	10,000	1,560,322	9,004,000	10,000	1,560,322	10,000,000
Commercial Bank of Ceylon PLC	69	4,722	6,810	69	4,722	9,370
Lanka Ventures PLC	61,800	2,552,579	2,404,020	61,800	2,552,579	2,991,120
Seylan Bank PLC (non-voting)	32,309	1,820,160	1,159,893	31,040	1,820,160	1,710,304
Hatton National Bank PLC (non-voting)	29,554	5,348,333	4,344,438	29,279	5,348,333	5,457,606
People's Insurance Ltd.	100,000	1,508,032	1,970,000	100,000	1,508,032	2,150,000
National Development Bank PLC	15,819	1,622,974	1,490,150	–	–	–
Beverage, food and tobacco						
Lanka Milk Foods (CWE) PLC	40,215	4,032,213	4,423,650	72,888	7,308,216	11,523,593
Ceylon Beverage Holdings PLC	2,321	1,936,261	1,914,825	–	–	–
Chemicals and pharmaceuticals						
CIC Holdings PLC (non-voting)	90,000	3,823,735	2,304,000	90,000	3,823,735	3,645,000
Haycarb PLC	18,300	3,010,621	2,324,100	18,300	3,010,621	2,196,000
Plantation						
Kotagala Plantation PLC	15,000	556,151	105,000	10,000	556,151	118,500
Healthcare						
Ceylon Hospitals PLC (non-voting)	43,838	1,609,492	2,963,449	43,838	1,609,492	3,178,255
Hotels and travels						
Taj Lanka Hotels PLC	114,432	3,478,514	1,075,661	114,432	3,478,514	1,933,901
John Keells Hotels PLC	251,000	3,197,111	1,882,500	251,000	3,197,111	2,334,300
Investment trusts						
Renuka Holdings PLC (non-voting)	183,274	4,031,493	1,649,466	183,274	4,031,493	2,932,384
Land and property						
CT Land Development PLC	8,333	111,570	236,657	5,000	111,570	259,156
Overseas Realty (Ceylon) PLC	160,000	3,683,802	2,624,000	160,000	3,683,802	2,896,000
Manufacturing						
ACL Cables PLC	40,000	2,496,906	1,292,000	40,000	2,496,906	1,640,000
Dipped Products PLC	47,500	5,868,703	3,705,000	47,500	5,868,703	4,061,250
Pelwatte Sugar Industries PLC	31,000	1,064,794	3,100	31,000	1,064,794	3,100
Ceylon Grain Elevators PLC	70,000	4,653,439	3,647,000	52,000	3,579,544	3,718,000
Ceylon Grain Elevators PLC	70,000	4,653,439	3,647,000	52,000	3,579,544	3,718,000

Group					
2019			2018		
Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
10,000	**1,560,322**	**9,004,000**	10,000	1,560,322	10,000,000
69	**4,722**	**6,810**	69	4,722	9,370
61,800	**2,552,579**	**2,404,020**	61,800	2,552,579	2,991,120
32,309	**1,820,160**	**1,159,893**	31,040	1,820,160	1,710,304
29,554	**5,348,333**	**4,344,438**	29,279	5,348,333	5,457,606
100,000	**1,508,032**	**1,970,000**	100,000	1,508,032	2,150,000
15,819	**1,622,974**	**1,490,150**	–	–	–
40,215	**4,032,213**	**4,423,650**	72,888	7,308,216	11,523,593
2,321	**1,936,261**	**1,914,825**	–	–	–
90,000	**3,823,735**	**2,304,000**	90,000	3,823,735	3,645,000
18,300	**3,010,621**	**2,324,100**	18,300	3,010,621	2,196,000
15,000	**556,151**	**105,000**	10,000	556,151	118,500
43,838	**1,609,492**	**2,963,449**	43,838	1,609,492	3,178,255
114,432	**3,478,514**	**1,075,661**	114,432	3,478,514	1,933,901
251,000	**3,197,111**	**1,882,500**	251,000	3,197,111	2,334,300
183,274	**4,031,493**	**1,649,466**	183,274	4,031,493	2,932,384
8,333	**111,570**	**236,657**	5,000	111,570	259,156
160,000	**3,683,802**	**2,624,000**	160,000	3,683,802	2,896,000
40,000	**2,496,906**	**1,292,000**	40,000	2,496,906	1,640,000
47,500	**5,868,703**	**3,705,000**	47,500	5,868,703	4,061,250
31,000	**1,064,794**	**3,100**	31,000	1,064,794	3,100
70,000	**4,653,439**	**3,647,000**	52,000	3,579,544	3,718,000
70,000	**4,653,439**	**3,647,000**	52,000	3,579,544	3,718,000

22. Financial assets held at fair value through profit or loss (continued)

22.1.1 Portfolio investment (continued)

As at 31 March	Company 2019 Number of shares	Cost LKR	Market value LKR	2018 Number of shares	Cost LKR	Market value LKR
Power and energy						
Resus Energy PLC	–	–	–	58,437	1,102,728	1,162,897
Lanka IOC PLC	219,949	5,130,291	3,827,113	219,949	5,130,291	6,620,465
Diversified holdings						
Expolanka Holdings PLC	500,000	3,286,400	2,000,000	500,000	3,286,400	2,450,000
CT Holdings PLC	5,500	909,829	895,950	5,000	909,829	962,500
Telecommunications						
Dialog Axiata PLC	130,000	1,774,656	1,183,000	130,000	1,774,656	1,794,000
		69,073,102	58,435,781		68,818,703	75,747,701

22.2 Quoted unit trust

As at 31 March	Company 2019 Number of shares	Cost LKR	Market value LKR	2018 Number of shares	Cost LKR	Market value LKR
Namal acuity value fund	25,000	1,250,000	2,150,000	25,000	1,250,000	2,375,000
		1,250,000	2,150,000		1,250,000	2,375,000

22.3 Unquoted unit trust

As at 31 March	Company 2019 Number of shares	Cost LKR	Market value LKR	2018 Number of shares	Cost LKR	Market value LKR
Namal acuity value fund	201,610	1,921,491	4,966,209	–	–	–
Guardian acuity equity fund	2,669,166	45,000,000	39,143,046	–	–	–
Guardian acuity money market fund	2,309,952	36,328,622	40,625,133	–	–	–
Capital alliance high yield fund	640,188	11,881,066	13,110,612	–	–	–
		95,131,179	97,845,000	–	–	–

	Group					
	2019			2018		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
	–	–	–	58,437	1,102,728	1,162,897
	219,949	**5,130,291**	**3,827,113**	219,949	5,130,291	6,620,465
	500,000	**3,286,400**	**2,000,000**	500,000	3,286,400	2,450,000
	5,500	**909,829**	**895,950**	5,000	909,829	962,500
	130,000	**1,774,656**	**1,183,000**	130,000	1,774,656	1,794,000
		69,073,102	**58,435,781**		68,818,703	75,747,701

	Group					
	2019			2018		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
	25,000	**1,250,000**	**2,150,000**	25,000	1,250,000	2,375,000
		1,250,000	**2,150,000**		1,250,000	2,375,000

	Group					
	2019			2018		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
	201,610	**1,921,491**	**4,966,209**	–	–	–
	2,669,166	**45,000,000**	**39,143,046**	–	–	–
	2,309,952	**36,328,622**	**40,625,133**	–	–	–
	640,188	**11,881,066**	**13,110,612**	–	–	–
		95,131,179	**97,845,000**	–	–	–

23. Financial assets at amortised cost – Finance leases and hire purchases

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Net investment in finance leases	23.1	**26,648,782,581**	24,076,785,200	**26,648,782,581**	24,076,785,200
Net investment in hire purchase	23.2	**96,822,163**	204,689,531	**96,822,163**	204,689,531
		26,745,604,744	24,281,474,731	**26,745,604,744**	24,281,474,731
Impairment losses					
Provision for individual impairment	23.3	**(236,666,486)**	(92,813,978)	**(236,666,486)**	(92,813,978)
Provision for collective impairment	23.4	**(591,971,520)**	(138,955,983)	**(591,971,520)**	(138,955,983)
Net investment after impairment		**25,916,966,738**	24,049,704,770	**25,916,966,738**	24,049,704,770

23.1 Finance leases

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Gross investment in leases receivable within one year	**12,079,138,141**	11,002,229,122	**12,079,138,141**	11,002,229,122
Gross investment in leases receivable between one and five years	**21,482,800,637**	20,141,305,194	**21,482,800,637**	20,141,305,194
Gross investment in leases receivable in respect of non-performing leases	**316,118,737**	186,253,009	**316,118,737**	186,253,009
Repossessed lease receivable	**641,131,464**	141,321,392	**641,131,464**	141,321,392
Leases receivable in arrears	**1,044,064,469**	833,599,487	**1,044,064,469**	833,599,487
	35,563,253,448	32,304,708,204	**35,563,253,448**	32,304,708,204
Unearned lease income	**(8,795,104,174)**	(8,131,013,588)	**(8,795,104,174)**	(8,131,013,588)
Initial lease rental	**(4,017,300)**	(5,745,696)	**(4,017,300)**	(5,745,696)
Prepaid lease rentals	**(115,349,393)**	(91,163,720)	**(115,349,393)**	(91,163,720)
Net investment in finance leases	**26,648,782,581**	24,076,785,200	**26,648,782,581**	24,076,785,200

23.2 Hire purchases

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Gross investment in hire purchase receivable within one year	7,162,644	88,841,800	7,162,644	88,841,800
Gross investment in hire purchase receivable between one and five years	–	15,959,743	–	15,959,743
Gross investment in hire purchase receivable in respect of non-performing hire purchase	65,421,265	77,139,643	65,421,265	77,139,643
Repossessed hire purchase receivable	22,392,171	18,597,060	22,392,171	18,597,060
Hire purchase receivable in arrears	2,343,128	16,509,313	2,343,128	16,509,313
	97,319,208	217,047,559	97,319,208	217,047,559
Unearned hire purchase income	(364,759)	(10,761,010)	(364,759)	(10,761,010)
Prepaid hire purchase rentals	(132,286)	(1,597,018)	(132,286)	(1,597,018)
Net investment in hire purchase	96,822,163	204,689,531	96,822,163	204,689,531
Net investment in finance leases	26,745,604,744	24,281,474,731	26,745,604,744	24,281,474,731

23.3 Movement in allowance for individual impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		92,813,978	73,900,777	92,813,978	73,900,777
Charge for the year	12	143,852,508	18,913,201	143,852,508	18,913,201
Balance at the end of the year		236,666,486	92,813,978	236,666,486	92,813,978
Gross amount of loans individually determined to be impaired		687,124,887	160,703,558	687,124,887	160,703,558

23.4 Movement in allowance for collective impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		138,955,983	154,346,863	138,955,983	154,346,863
Impact of adoption of SLFRS 9 as of 1 April 2018		353,893,719	–	353,893,719	–
Balance at the beginning of the year (As per SLFRS 9)		492,849,702	154,346,863	492,849,702	154,346,863
Charge/(reversal) for the year	12	93,756,572	(15,390,880)	93,756,572	(15,390,880)
Interest income accrued on impaired loans and receivables		5,365,246	–	5,365,246	–
Balance at the end of the year		591,971,520	138,955,983	591,971,520	138,955,983
Total of individual and collective impairment		828,638,006	231,769,961	828,638,006	231,769,961

23.5 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

As at 31 March	SLFRS 9 Stage 1 LKR	SLFRS 9 Stage 2 LKR	SLFRS 9 Stage 3 LKR	SLFRS 9 Total LKR	LKAS 39 LKR
Gross loans and advances 31 March 2018	16,444,693,195	7,295,127,671	541,653,865	24,281,474,731	24,281,474,731
Less: Allowance for collective impairment	(114,165,296)	(288,412,249)	(90,272,157)	(492,849,702)	(138,955,983)
Less: Allowance for individual impairment	–	–	(92,813,978)	(92,813,978)	(92,813,978)
	16,330,527,899	7,006,715,422	358,567,730	23,695,811,051	24,049,704,770
Gross loans and advances 31 March 2019	16,412,991,697	9,066,547,167	1,266,065,880	26,745,604,744	N/A
Less: Allowance for collective impairment	(111,197,980)	(347,062,847)	(133,710,693)	(591,971,520)	N/A
Less: Allowance for individual impairment	–	–	(236,666,486)	(236,666,486)	N/A
	16,301,793,717	8,719,484,320	895,688,701	25,916,966,738	–

24. Financial assets at amortised cost – Other loans and receivables

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Commercial loans	24.1	**1,542,219,637**	2,145,243,113	**1,542,219,637**	2,145,243,113
Personal loans	24.2	**131,342,017**	113,333,306	**131,342,017**	113,333,306
Pawning advances	24.3	**1,196,462,693**	993,680,335	**1,196,462,693**	993,680,335
Other advances	24.4	**282,757,624**	499,823,913	**282,757,624**	499,823,913
		3,152,781,971	3,752,080,667	**3,152,781,971**	3,752,080,667

24.1 Commercial loans

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Gross investment in commercial loans receivable within one year		**721,415,798**	1,357,835,882	**721,415,798**	1,357,835,882
Gross investment in commercial loans receivable between one and five years		**667,807,175**	1,051,613,984	**667,807,175**	1,051,613,984
Gross investment in commercial loans receivable in respect of non-performing loans		**641,763,415**	172,783,674	**641,763,415**	172,783,674
Commercial loans receivable in arrears		**106,231,146**	252,886,103	**106,231,146**	252,886,103
		2,137,217,534	2,835,119,643	**2,137,217,534**	2,835,119,643
Unearned commercial loan income		**(351,933,476)**	(545,515,097)	**(351,933,476)**	(545,515,097)
Prepaid commercial loan rentals		**(9,070,463)**	(10,890,949)	**(9,070,463)**	(10,890,949)
Net investment in commercial loans		**1,776,213,595**	2,278,713,597	**1,776,213,595**	2,278,713,597
Impairment losses					
Provision for individual impairment	24.1.1	**(68,947,365)**	(92,117,334)	**(68,947,365)**	(92,117,334)
Provision for collective impairment	24.1.2	**(165,046,593)**	(41,353,150)	**(165,046,593)**	(41,353,150)
Net investment in commercial loans after impairment		**1,542,219,637**	2,145,243,113	**1,542,219,637**	2,145,243,113

24.1.1 Movement in allowance for individual impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**92,117,334**	27,101,298	**92,117,334**	27,101,298
(Reversal)/charge for the year	12	**(23,169,969)**	65,016,036	**(23,169,969)**	65,016,036
Balance at the end of the year		**68,947,365**	92,117,334	**68,947,365**	92,117,334
Gross amount of loans individually determined to be impaired		**68,947,365**	106,821,903	**68,947,365**	106,821,903

24.1.2 Movement in allowance for collective impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**41,353,150**	5,090,031	**41,353,150**	5,090,031
Impact of adoption of SLFRS 9 as of 1 April 2018		**28,181,415**	–	**28,181,415**	–
Balance at the beginning of the year (As per SLFRS 9)		**69,534,565**	5,090,031	**69,534,565**	5,090,031
Charge for the year	12	**91,595,508**	36,263,119	**91,595,508**	36,263,119
Interest income accrued on impaired loans and receivables		**3,916,520**	–	**3,916,520**	–
Balance at the end of the year		**165,046,593**	41,353,150	**165,046,593**	41,353,150

24.1.3 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

As at 31 March	SLFRS 9 Stage 1 LKR	SLFRS 9 Stage 2 LKR	SLFRS 9 Stage 3 LKR	SLFRS 9 Total LKR	LKAS 39 LKR
Gross loans and advances 31 March 2018	1,548,972,429	432,792,371	296,948,798	2,278,713,598	2,278,713,597
Less: Allowance for collective impairment	(9,440,145)	(18,068,948)	(42,025,471)	(69,534,564)	(41,353,150)
Less: Allowance for individual impairment	–	–	(92,117,334)	(92,117,334)	(92,117,334)
	1,539,532,284	414,723,423	162,805,993	2,117,061,700	2,145,243,113
Gross loans and advances 31 March 2019	696,200,094	434,400,150	645,613,351	1,776,213,595	N/A
Less: Allowance for collective impairment	(7,506,998)	(31,586,877)	(125,952,718)	(165,046,593)	N/A
Less: Allowance for individual impairment	–	–	(68,947,365)	(68,947,365)	N/A
	688,693,096	402,813,273	450,713,268	1,542,219,637	–

24.2 Personal loan

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Gross investment in personal loan receivable within one year		**78,059,766**	67,437,758	**78,059,766**	67,437,758
Gross investment in personal loan receivable between one and five years		**151,733,381**	130,640,286	**151,733,381**	130,640,286
Gross investment in personal loans receivable in respect of non-performing loans		**52,324**	55,317	**52,324**	55,317
Personal loan receivable in arrears		**192,671**	146,165	**192,671**	146,165
		230,038,142	198,279,526	**230,038,142**	198,279,526
Unearned personal loan income		**(90,569,451)**	(78,487,967)	**(90,569,451)**	(78,487,967)
Prepaid personal loan rentals		**(8,126,674)**	(6,458,253)	**(8,126,674)**	(6,458,253)
Net investment in personal loan		**131,342,017**	113,333,306	**131,342,017**	113,333,306
Impairment losses					
Provision for individual impairment	24.2.1	**–**	–	**–**	–
Net investment in commercial loans after impairment		**131,342,017**	113,333,306	**131,342,017**	113,333,306

24.2.1 Movement in allowance for individual impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**–**	1,438	**–**	1,438
Reversal for the year	12	**–**	(1,438)	**–**	(1,438)
Balance at the end of the year		**–**	–	**–**	–
Gross amount of loans individually determined to be impaired		**–**	–	**–**	–

24.3 Pawning advances

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Gross investment in pawning advances		**1,105,642,040**	926,538,387	**1,105,642,040**	926,538,387
Interest receivable from pawning advances		**95,037,143**	67,142,984	**95,037,143**	67,142,984
Net investment in pawning advances		**1,200,679,183**	993,681,371	**1,200,679,183**	993,681,371
Impairment losses					
Provision for collective impairment	24.3.1	**(4,216,490)**	(1,036)	**(4,216,490)**	(1,036)
Net investment in pawning advances after impairment		**1,196,462,693**	993,680,335	**1,196,462,693**	993,680,335

24.3.1 Movement in allowance for collective impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**1,036**	33,211	**1,036**	33,211
Impact of adoption of SLFRS 9 as of 1 April 2018		**3,027,675**	–	**3,027,675**	–
Balance at the beginning of the year (As per SLFRS 9)		**3,028,711**	33,211	**3,028,711**	33,211
Charge/(reversal) of the year	12	**1,187,779**	(32,175)	**1,187,779**	(32,175)
Balance at the end of the year		**4,216,490**	1,036	**4,216,490**	1,036

24.3.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

As at 31 March	SLFRS 9 Stage 1 LKR	SLFRS 9 Stage 2 LKR	SLFRS 9 Stage 3 LKR	SLFRS 9 Total LKR	LKAS 39 LKR
Gross loans and advances 31 March 2018	991,780,585	864,442	1,036,344	993,681,371	993,681,371
Less: Allowance for collective impairment	(2,901,267)	(51,955)	(75,489)	(3,028,711)	(1,036)
	988,879,318	812,487	960,855	990,652,660	993,680,335
Gross loans and advances 31 March 2019	1,154,305,160	28,477,434	17,896,589	1,200,679,183	N/A
Less: Allowance for collective impairment	(2,539,560)	(955,264)	(721,666)	(4,216,490)	N/A
	1,151,765,600	27,522,170	17,174,923	1,196,462,693	–

24.4 Other advances

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Loans against fixed deposits		**86,939,329**	90,300,456	**86,939,329**	90,300,456
Discounting of cheques		**490,000**	490,000	**490,000**	490,000
Insurance		**308,303,772**	469,656,669	**308,303,772**	469,656,669
Staff debtors		**22,467,955**	19,370,628	**22,467,955**	19,370,628
Sundry debtors		**3,878,407**	3,272,811	**3,878,407**	3,272,811
		422,079,463	583,090,564	**422,079,463**	583,090,564
Impairment losses					
Provision for individual impairment	24.4.1	**(1,906,394)**	(1,906,394)	**(1,906,394)**	(1,906,394)
Provision for collective impairment	24.4.2	**(137,415,445)**	(81,360,257)	**(137,415,445)**	(81,360,257)
Net investment in other advances after impairment		**282,757,624**	499,823,913	**282,757,624**	499,823,913

24.4.1 Movement in allowance for individual impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**1,906,394**	1,906,394	**1,906,394**	1,906,394
Charge for the year	12	**–**	–	**–**	–
Balance at the end of the year		**1,906,394**	1,906,394	**1,906,394**	1,906,394
Gross amount of loans individually determined to be impaired		**4,368,407**	3,762,811	**4,368,407**	3,762,811

24.4.2 Movement in allowance for collective impairment

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**81,360,257**	81,457,829	**81,360,257**	81,457,829
Impact of adoption of SLFRS 9 as of 1 April 2018		**20,761,127**	–	**20,761,127**	–
Balance at the beginning of the year (As per SLFRS 9)		**102,121,384**	81,457,829	**102,121,384**	81,457,829
Charge/(reversal) of the year	12	**62,306,203**	(97,572)	**62,306,203**	(97,572)
Net write-offs for the year		**(27,012,142)**	–	**(27,012,142)**	–
Balance at the end of the year		**137,415,445**	81,360,257	**137,415,445**	81,360,257
Total of individual and collective impairment		**139,321,839**	83,266,651	**139,321,839**	83,266,651

24.4.3 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

	SLFRS 9				LKAS 39
As at 31 March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	LKR
Gross loans and advances 31 March 2018	161,462,189	110,476,402	311,151,973	583,090,564	583,090,564
Less: Allowance for collective impairment	(14,602,409)	(25,634,270)	(61,884,705)	(102,121,384)	(81,360,257)
Less: Allowance for individual impairment	–	–	(1,906,394)	(1,906,394)	(1,906,394)
	146,859,780	84,842,132	247,360,874	479,062,786	499,823,913
Gross loans and advances 31 March 2019	71,856,139	102,376,857	247,846,467	422,079,463	N/A
Less: Allowance for collective impairment	(8,138,510)	(23,785,220)	(105,491,715)	(137,415,445)	N/A
Less: Allowance for individual impairment	–	–	(1,906,394)	(1,906,394)	N/A
	63,717,629	78,591,637	140,448,358	282,757,624	–

25. Financial assets measured at fair value through other comprehensive income/financial assets available for sale

		Company		Group	
As at 31 March	Note	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Unquoted units	25.1	–	102,302,651	–	102,302,651
Unquoted shares	25.2	**14,597,603**	10,704,006	**14,597,603**	10,704,006
		14,597,603	113,006,657	**14,597,603**	113,006,657

25.1 Unquoted units

	Company		Group	
As at 31 March	2019 LKR	2018 LKR	2019 LKR	2018 LKR
National equity fund	–	5,696,077	–	5,696,077
Guardian acuity equity fund	–	48,357,806	–	48,357,806
Guardian acuity money market fund	–	36,358,420	–	36,358,420
Capital alliance high yield fund	–	11,890,348	–	11,890,348
	–	102,302,651	–	102,302,651

25.2 Unquoted shares

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Credit Information Bureau of Sri Lanka	**90,586**	90,586	**90,586**	90,586
Finance House Consortium (Pvt) Ltd.	**200,000**	200,000	**200,000**	200,000
Senkadagala Hotels Limited	**14,307,017**	10,413,420	**14,307,017**	10,413,420
	14,597,603	10,704,006	**14,597,603**	10,704,006

Note: Unit trust investments have been reclassified as financial assets measured at fair value through profit or loss in Note 22.

26. Financial assets at amortised cost – other financial instruments/held to maturity

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Treasury bills	**855,878,980**	782,432,811	**855,878,980**	782,432,811
Treasury bonds	**188,416,281**	185,086,178	**188,416,281**	185,086,178
	1,044,295,261	967,518,989	**1,044,295,261**	967,518,989

27. Investments in subsidiaries

As at 31 March	Company 2019 LKR	Company 2018 LKR
Unquoted		
Senkadagala Insurance Brokers (Pvt) Ltd. (2,000,000 Ordinary shares)		
Place of business	**No. 437B,1st Floor, Katugastota Road, Kandy**	
Holding (%)	**100**	100
Cost	**20,000,000**	20,000,000
Newest Capital Limited (150,000,000 Ordinary shares)		
Place of business	**No. 267, Galle Road, Colombo 3**	
Holding (%)	**100**	100
Cost	**300,000,000**	300,000,000
	320,000,000	320,000,000

28. Investment property

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Cost or valuation				
Balance at the beginning of the year	**388,341,655**	87,782,655	**299,444,424**	287,885,424
Additions and transfer during the year	**–**	300,559,000	**–**	11,559,000
Balance at the end of the year	**388,341,655**	388,341,655	**299,444,424**	299,444,424
Accumulated depreciation				
Balance at the beginning of the year	**9,060,760**	9,060,760	**17,784,041**	14,778,903
Charge for the year	**3,400,000**	–	**3,400,000**	3,005,138
Balance at the end of the year	**12,460,760**	9,060,760	**21,184,041**	17,784,041
Carrying amount at the end of the year	**375,880,895**	379,280,895	**278,260,383**	281,660,383

28.1 Fully-depreciated investment property

The cost of fully-depreciated Investment property of the Company which are still in use as at the Statement of Financial Position date is as follows:

As at 31 March	2019 LKR	2018 LKR
Buildings	**9,060,760**	9,060,760

28.2 Information of freehold investment property of the Group

Location	Extent of land	Valuer	Valuation LKR	Cost 2019 LKR	Cost 2018 LKR
Land and building					
98, Dean's Road, Colombo 10	6.000 P	K M U Dissanayake	60,600,000	**3,500,000**	3,500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875 P	K M U Dissanayake	86,500,000	**7,542,068**	7,542,068
12, Kotugodella Veediya, Kandy Lot 2	18.000 P	K M U Dissanayake	76,700,000	**70,679,827**	70,679,827
98, Yatinuwara Veediya, Kandy	7.698 P	K M U Dissanayake	55,700,000	**6,060,760**	6,060,760
30, Kynsey Road, Colombo 07	20.10 P	H M N Herath	289,000,000	**211,661,769**	211,661,769
			568,500,000	**299,444,424**	299,444,424

28.3 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by a report from external independent property valuers, Mr K M U Dissanayake and Mr H N M Herath who valued the properties on April 2017 and March 2018 respectively. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

These values have not been incorporated in the Financial Statements.

The fair value measurement for the above of LKR 568,500,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Market comparable method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for, since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot Depreciation rate	Estimated fair value would increase/(decrease) if; Price per perch increases/(decreases) Price per square foot increases/(decreases) Depreciation rate for building (decreases)/increases
Investment method: This method involves capitalisation of the expected rental income at an appropriate rate for years since purchased, currently characterised by the for rental property market	Gross Monthly Rental Years Purchase (Present value of 1 unit per period Void Period)	Estimated fair value would increase/(decrease) if; Gross Annual Rental increases/(decreases) Years Purchase increases/(decreases) Void Period (decrease)/increases

29. Property, plant and equipment

29.1 Company

	As at 01.04.2018 LKR	Additions LKR	Disposals LKR	As at 31.03.2019 LKR
Cost				
Land	110,371,865	392,882,114	–	**503,253,979**
Buildings	35,949,773	96,685,586	–	**132,635,359**
Furniture, fittings and fixtures	477,619,531	43,389,165	(70,792,401)	**450,216,295**
Office equipment	363,257,057	31,220,277	(28,822,784)	**365,654,550**
Air conditioner	68,275,781	7,110,960	(5,867,440)	**69,519,301**
Computer and accessories	410,477,642	36,654,040	(15,312,634)	**431,819,048**
Facsimile machine	2,284,998	353,000	(223,750)	**2,414,248**
Generator	55,571,846	6,642,522	–	**62,214,368**
Motor vehicles	959,585,895	313,708,080	(127,399,435)	**1,145,894,540**
Photostat machine	12,458,886	937,580	(388,750)	**13,007,716**
Printers	42,449,819	2,096,334	(2,885,224)	**41,660,929**
	2,538,303,093	931,679,658	(251,692,418)	**3,218,290,333**

	As at 01.04.2018 LKR	Charge for the period LKR	Charge on disposals LKR	As at 31.03.2019 LKR
Accumulated depreciation				
Buildings	9,650,228	1,990,760	–	**11,640,988**
Furniture, fittings and fixtures	270,249,893	34,876,131	(65,446,217)	**239,679,807**
Office equipment	170,351,890	33,154,620	(25,107,367)	**178,399,143**
Air conditioner	58,593,618	5,768,829	(5,867,440)	**58,495,007**
Computer and accessories	296,092,525	54,431,706	(2,652,346)	**347,871,885**
Facsimile machine	1,376,209	177,509	(223,750)	**1,329,968**
Generator	40,375,874	3,527,582	–	**43,903,456**
Motor vehicles	279,283,252	178,887,150	(79,821,601)	**378,348,801**
Photostat machine	11,048,720	890,082	(388,750)	**11,550,052**
Printers	34,663,956	3,473,748	(2,885,224)	**35,252,480**
	1,171,686,165	317,178,117	(182,392,695)	**1,306,471,587**
Net book value	1,366,616,928			**1,911,818,746**

29.2 Group

	As at 01.04.2018 LKR	Additions LKR	Disposals LKR	As at 31.03.2019 LKR
Cost				
Land	110,371,865	392,882,114	–	**503,253,979**
Buildings	35,949,773	96,685,586	–	**132,635,359**
Furniture, fittings and fixtures	478,161,506	43,416,885	(70,792,401)	**450,785,990**
Office equipment	363,414,557	31,229,277	(28,822,784)	**365,821,050**
Air conditioner	68,275,781	7,110,960	(5,867,440)	**69,519,301**
Computer and accessories	411,047,542	36,654,040	(15,312,634)	**432,388,948**
Facsimile machine	2,339,878	353,000	(223,750)	**2,469,128**
Generator	55,571,846	6,642,522	–	**62,214,368**
Motor vehicles	966,427,155	313,708,080	(127,399,435)	**1,152,735,800**
Photostat machine	12,589,926	937,580	(388,750)	**13,138,756**
Printers	42,543,820	2,096,334	(2,885,224)	**41,754,930**
	2,546,693,649	931,716,378	(251,692,418)	**3,226,717,609**

	As at 01.04.2018 LKR	Charge for the period LKR	Charge on disposals LKR	As at 31.03.2019 LKR
Accumulated depreciation				
Buildings	9,650,228	1,990,760	–	**11,640,988**
Furniture, fittings and fixtures	270,674,702	34,910,545	(65,446,217)	**240,139,030**
Office equipment	170,425,764	33,170,751	(25,107,367)	**178,489,148**
Air conditioner	58,593,618	5,768,829	(5,867,440)	**58,495,007**
Computer and accessories	296,662,425	54,431,706	(2,652,346)	**348,441,785**
Facsimile machine	1,403,174	182,993	(223,750)	**1,362,417**
Generator	40,375,874	3,527,582	–	**43,903,456**
Motor vehicles	281,224,925	180,027,589	(79,821,601)	**381,430,913**
Photostat machine	11,113,148	903,186	(388,750)	**11,627,584**
Printers	34,757,956	3,473,748	(2,885,224)	**35,346,480**
	1,174,881,814	318,387,689	(182,392,695)	**1,310,876,808**
Net book value	1,371,811,835			**1,915,840,801**

29.3 Property, plant and equipment retired from active use

Following fully-depreciated property, plant and equipment of the Company were retired from active use as at the Statement of Financial Position date:

As at 31 March	2019 LKR	2018 LKR
Furniture, fittings and fixtures	**38,127,259**	139,480
Office equipment	**7,431,090**	–
Air conditioner	**1,683,926**	414,357
Computer and accessories	**2,652,346**	–
Facsimile machine	**223,750**	–
Photostat machine	**388,750**	–
Motor vehicles	**600,000**	–
Printers	**2,885,224**	–

29.4 Fully-depreciated property, plant and equipment

The cost of fully-depreciated property, plant and equipment of the Company which are still in use as at the Statement of Financial Position date is as follows:

As at 31 March	2019 LKR	2018 LKR
Furniture, fittings and fixtures	**76,958,503**	121,498,591
Office equipment	**38,880,492**	39,608,461
Air Conditioner	**49,682,126**	42,729,352
Computer and accessories	**183,449,218**	191,116,779
Facsimile machine	**538,400**	593,750
Generator	**32,420,500**	32,420,500
Motor vehicles	**6,300,464**	900,464
Photostat machine	**10,177,876**	8,845,626
Printers	**29,624,308**	26,771,630

29.5 Property, plant and equipment pledged as security for liability

There were no items of property, plant and equipment pledged as security for liabilities.

29.6 Information of freehold land and building of the Company

Location	Extent	Valuation	Cost	Carrying value	Cost
As at 31 March		LKR	2019 LKR	2019 LKR	2018 LKR
Land					
7/4, Mawilmada Road, Kandy	0A. 1R. 10.595P	27,827,250	7,779,960	7,779,960	7,779,960
Highway Park, Amunugama, Pothuhera	0A. 5R. 25.49P	39,310,000	26,229,354	26,229,354	26,229,354
92, Dean's Road, Colombo 10	0A. 0R. 8.00P	77,300,000	24,600,000	24,600,000	24,600,000
No. 255 and 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	0A. 0R. 6.845P	62,513,716	51,762,551	51,762,551	51,762,551
No. 91B and 93, Colombo Road, Piliyandala	0A. 0R. 6.845P	46,800,000	40,113,514	40,113,514	–
No. 91, Kandy Road, Kurunegala.	0A. 0R. 18.10P	45,250,000	49,918,600	49,918,600	–
No. 287/1, Yongamulla, Yakkala	0A. 1R. 8.50P	18,000,000	12,500,000	12,500,000	–
No. 14, Kotugodalla Veediya, Kandy	0A. 0R. 10.00P	275,000,000	290,350,000	290,350,000	–
		499,950,966	503,253,979	503,253,979	110,371,865
Building					
7/4, Mawilmada Road, Kandy	1,301 sq ft	2,632,750	5,230,914	–	5,230,914
Highway Park, Amunugama, Pothuhera	680 sq ft	1,190,000	4,482,010	–	4,482,010
Nos. 255 and 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	2.361 sq ft	31,686,284	26,236,849	25,143,647	26,236,849
No. 91B, 93, Colombo Road, Piliyandala	3,110 sq ft	6,000,000	6,685,586	6,399,831	–
No. 14, Kotugodalla Veediya, Kandy	12,674 sq ft	90,800,000	90,000,000	89,450,893	–
		35,509,034	132,635,359	120,994,371	35,949,773
Total		535,460,000	635,889,338	624,248,350	146,321,638

29.7 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by a report from external independent property valuers, Mr K M U Dissanayake and H B Manula Basnayaka who valued the properties on December 2016 to March 2018 respectively. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

These values have not been incorporated in the Financial Statements.

Additional cost of LKR 14,550,000/- incurred on the building situated at No.14, Kotugodalla Veediya, Kandy and cost of LKR 4,668,600/- incurred on the land situated at No. 91, Kurunegala Road, Kandy subsequent to the valuation report dated 22 December 2018 and 13 June 2017 respectively, have been capitalised to the property value as at 31 March 2019.

The fair value measurement for the above of LKR 535,460,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Market comparable method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value	Price per perch of land Price per square foot Depreciation rate	Estimated fair value would increases (decreases) if; Price per perch increases/ (decreases) Price per square foot increases/ (decreases) Depreciation rate for building/ (decreases)/increases

30. Intangible assets

30.1 Company

As at 31 March	2019 LKR	2018 LKR
Cost		
Balance at the beginning of the year	**227,763,240**	227,083,863
Additions during the year	**597,720**	679,377
Balance at the end of the year	**228,360,960**	227,763,240
Accumulated amortisation		
Balance at the beginning of the year	**170,511,433**	156,159,010
Amortisation for the year	**12,717,854**	14,352,423
Balance at the end of the year	**183,229,287**	170,511,433
Carrying amount	**45,131,673**	57,251,807

30.2 Fully-amortised intangible assets

The cost of fully-amortised Intangible assets of the Company which are still in use as at the statement of financial position date is as follows:

As at 31 March	2019 LKR	2018 LKR
Software	**122,198,068**	121,434,587

30.3 Group

	License LKR	Software LKR	Total LKR
Cost or valuation			
Balance at the beginning of the year	64,820,214	227,763,240	292,583,454
Additions during the year	–	597,720	597,720
Impairment	(64,820,214)	–	(64,820,214)
Balance at the end of the year	–	228,360,960	228,360,960
Accumulated amortisation			
Balance at the beginning of the year	–	170,511,433	170,511,433
Amortisation for the year	–	12,717,854	12,717,854
Balance at the end of the year	–	183,229,287	183,229,287
Carrying amount as at 31 March 2019	**–**	**45,131,673**	**45,131,673**
Carrying amount as at 31 March 2018	64,820,214	57,251,807	122,072,021

31. Other assets

	Company		Group	
As at 31 March	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Stock of gold specimen	**259,200**	259,200	**259,200**	259,200
Western Union MMBL	**78,414**	339,559	**78,414**	339,559
Prepaid building rent	**61,700,764**	65,991,901	**61,700,764**	65,991,901
Prepaid WHT on loans and debentures	**11,664,338**	32,146,708	**11,664,338**	32,146,708
Advance payments	**128,442,318**	564,765,028	**128,442,318**	564,765,028
Funds held at Orion Fund Management	**2,042,418**	6,840	**2,042,418**	6,840
Deposits	**8,778,813**	5,916,104	**8,778,813**	5,916,104
Cash cover	**826,325**	636,326	**826,325**	636,326
Other	**32,443,538**	10,101,004	**11,929,171**	10,368,782
	246,236,128	680,162,670	**225,721,761**	680,430,448

32. Due to banks

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Bank overdrafts	**51,936,849**	82,833,778	**51,936,849**	134,547,012
Asset securitised loans	**7,646,259,660**	5,925,892,788	**7,646,259,660**	5,925,892,788
	7,698,196,509	6,008,726,566	**7,698,196,509**	6,060,439,800

Securities pledged

Senkadagala Finance PLC has issued a Promissory Note amounting to LKR 400,000,000/- as security for the loan obtained from DFCC Bank PLC.

Lease and hire purchase aggregate portfolio amounting to LKR 6,977,195,033/- (2018 – LKR 4,772,542,356/-) have been pledged as security for the other bank loans.

In the ordinary course of business the Company enters into transactions that result in the transfer of financial assets to third parties, The information above sets out the extent of such transfers and retained interest in transferred assets.

The Company has transferred future rental receivable of leases and hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. due to the retention of substantially all the risk and rewards on these assets, the Company continues to recognise these assets within lease rental receivable and hire purchase receivable.

33. Financial liabilities at amortised cost – due to depositors

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Savings deposits		**540,490,898**	382,277,210	**540,490,898**	382,277,210
Certificates of deposit	33.1	**8,231,066**	7,729,774	**8,231,066**	7,729,774
Fixed deposits	33.2	**9,460,254,082**	9,117,126,806	**9,408,839,515**	9,075,448,350
		10,008,976,046	9,507,133,790	**9,957,561,479**	9,465,455,334

33.1 Certificates of deposit

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Face value	**8,300,000**	7,800,000	**8,300,000**	7,800,000
Interest in suspense	**(68,934)**	(70,226)	**(68,934)**	(70,226)
	8,231,066	7,729,774	**8,231,066**	7,729,774

33.2 Fixed deposits

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Fixed deposits	**9,111,810,902**	8,834,580,054	**9,061,592,614**	8,793,650,731
Amortised interest payable	**348,443,180**	282,546,752	**347,246,901**	281,797,619
	9,460,254,082	9,117,126,806	**9,408,839,515**	9,075,448,350

34 Financial liabilities at amortised cost – other borrowings

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Commercial paper	34.1	**846,735,596**	1,057,693,978	**846,735,596**	1,057,693,978
Asset securitised loans	34.2	**8,718,045,898**	8,309,938,787	**8,718,045,898**	8,309,938,787
		9,564,781,494	9,367,632,765	**9,564,781,494**	9,367,632,765

34.1 Commercial paper

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Commercial paper capital outstanding		**800,000,000**	1,000,000,000	**800,000,000**	1,000,000,000
Amortised interest payable		**46,735,596**	57,693,978	**46,735,596**	57,693,978
		846,735,596	1,057,693,978	**846,735,596**	1,057,693,978

34.2 Asset securitised loans

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Assets securitisation loans capital outstanding	**6,122,510,000**	5,562,510,000	**6,122,510,000**	5,562,510,000
Borrowings from International Finance Corporation (IFC)	**2,340,000,000**	2,558,960,000	**2,340,000,000**	2,558,960,000
Amortised interest payable	**255,535,898**	188,468,787	**255,535,898**	188,468,787
	8,718,045,898	8,309,938,787	**8,718,045,898**	8,309,938,787

Securities pledged

Lease and hire purchase aggregate portfolio amounting to LKR 7,043,317,506/- (2018 – LKR 6,938,770,694/-) have been pledged as security for the above loans.

In the ordinary course of business the Company enters into transactions that result in the transfer of financial assets to third parties, The information above sets out the extent of such transfers and retained interest in transferred assets.

The Company has transferred future rental receivable of leases and hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. due to the retention of substantially all the risk and rewards on these assets, the Company continues to recognise these assets within lease rental receivable and hire purchase receivable.

35. Debt securities issued

	Company		Group	
As at 31 March	2019 LKR	2018 LKR	2019 LKR	2018 LKR
As at the beginning of the year	**3,000,000,000**	3,585,753,500	**3,000,000,000**	3,585,753,500
New debt instruments issued	**–**	–	**–**	–
Redemptions of debentures	**(397,270,000)**	(585,753,500)	**(397,270,000)**	(585,753,500)
Balance before amortised interest payable	**2,602,730,000**	3,000,000,000	**2,602,730,000**	3,000,000,000
Amortised interest payable	**129,317,895**	127,018,895	**129,317,895**	127,018,895
As at the end of the year	**2,732,047,895**	3,127,018,895	**2,732,047,895**	3,127,018,895

35.1 Listed unsecured redeemable senior debentures

				Company		Group	
As at 31 March	Interest payable	Year of issue	Year of maturity	2019 LKR	2018 LKR	2019 LKR	2018 LKR
2016/17 – Fixed rated 12.5% pa	Semi-annually	2016/17	2018/19	**–**	397,270,000	**–**	397,270,000
2016/17 – Floating rated	Semi-annually	2016/17	2019/20	**10,000**	10,000	**10,000**	10,000
2016/17 – Fixed rated 13.25% pa	Semi-annually	2016/17	2019/20	**189,510,000**	189,510,000	**189,510,000**	189,510,000
2016/17 – Floating rated	Semi-annually	2016/17	2020/21	**62,270,000**	62,270,000	**62,270,000**	62,270,000
2016/17 – Fixed rated 13.75% pa	Semi-annually	2016/17	2020/21	**2,350,940,000**	2,350,940,000	**2,350,940,000**	2,350,940,000
Amortised interest payable				**129,317,895**	127,018,895	**129,317,895**	127,018,895
				2,732,047,895	3,127,018,895	**2,732,047,895**	3,127,018,895

36. Subordinated debentures

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
As at the beginning of the year	**1,250,000,000**	1,250,000,000	**1,250,000,000**	1,250,000,000
Redemptions	**(1,250,000,000)**	–	**(1,250,000,000)**	–
Balance before amortised interest payable	**–**	1,250,000,000	**–**	1,250,000,000
Amortised interest payable	**–**	22,876,786	**–**	22,876,786
As at the end of the year	**–**	1,272,876,786	**–**	1,272,876,786

The Company redeemed 12,500,000 listed unsecured redeemable subordinated debentures of LKR 100/- each issued by the Company in December 2013, details of which is given below:

	Interest payable	Year of issue	Year of maturity	Value (LKR) 2019	Value (LKR) 2018
2013/14 – Fixed rated 15% pa	Quarterly	2013/14	2018/19	**–**	1,250,000,000

37. Deferred tax liabilities

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year	**860,680,871**	607,702,150	**860,605,400**	610,885,348
Amount originating during the year – income statement	**(402,491,552)**	255,042,242	**(402,556,779)**	251,813,110
Amount originating during the year – other comprehensive income	**3,124,802**	(2,063,521)	**3,124,802**	(2,093,058)
Balance at the end of the year	**461,314,121**	860,680,871	**461,173,423**	860,605,400

37.1 Reconciliation of net deferred tax liabilities

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Deferred tax – Liabilities				
Accelerated depreciation for tax purposes – property, plant and equipment	121,360,828	113,272,424	121,457,104	113,373,267
Accelerated depreciation for tax purposes – rentals receivable	356,590,030	770,119,041	356,590,030	770,119,041
Bad debt provision timing differences	8,163,676	–	8,163,676	–
	486,114,534	883,391,465	486,210,810	883,492,308
Deferred tax – Assets				
Retirement benefit obligation	24,800,413	22,710,594	25,037,387	22,886,908
Tax credits	–	–	–	–
	24,800,413	22,710,594	25,037,387	22,886,908
Net deferred tax liabilities	461,314,121	860,680,871	461,173,423	860,605,400

As at 31 March	Statement of financial position 2019 LKR	Statement of financial position 2018 LKR	Income statement 2019 LKR	Income statement 2018 LKR	Statement of comprehensive income 2019 LKR	Statement of comprehensive income 2018 LKR
Company						
Deferred tax liabilities on –						
Accelerated depreciation for tax purposes – Own assets	121,360,828	113,272,424	(8,088,404)	(9,984,728)	–	–
Accelerated depreciation for tax purposes – Leased assets	356,590,030	770,119,041	413,529,011	(168,297,031)	–	–
Bad debt provision timing differences	8,163,676	–	(8,163,676)	–	–	–
	486,114,534	883,391,465	397,276,931	(178,281,759)	–	–
Deferred tax assets on –						
Retirement benefit obligation	24,800,413	22,710,594	5,214,621	(1,332,857)	(3,124,802)	2,063,521
Tax credits	–	–	–	(75,427,626)	–	–
	24,800,413	22,710,594	5,214,621	(76,760,483)	(3,124,802)	2,063,521
Deferred tax effect on comprehensive income			402,491,552	(225,042,242)	(3,124,802)	2,063,521
Net deferred tax liabilities	461,314,121	860,680,871				

As at 31 March	Statement of financial position 2019 LKR	Statement of financial position 2018 LKR	Income statement 2019 LKR	Income statement 2018 LKR	Statement of comprehensive income 2019 LKR	Statement of comprehensive income 2018 LKR
Group						
Deferred tax liabilities on –						
Accelerated depreciation for tax purposes – Own assets	**121,457,104**	113,373,267	**(8,083,837)**	(6,740,185)	**–**	–
Accelerated depreciation for tax purposes – Leased assets	**356,590,030**	770,119,041	**413,529,011**	(168,297,031)	**–**	–
Bad debt provision timing differences	**8,163,676**	–	**(8,163,676)**	–	**–**	–
	486,210,810	883,492,308	**397,281,498**	(175,037,216)	**–**	–
Deferred tax assets on –						
Retirement benefit obligation	**25,037,387**	22,886,908	**5,275,281**	(1,274,490)	**(3,124,802)**	2,093,058
Tax credits	**–**	–	**–**	(75,501,404)		
	25,037,387	22,886,908	**5,275,281**	(76,775,894)	**(3,124,802)**	2,093,058
Deferred tax effect on comprehensive income			**402,556,779**	(251,813,110)	**(3,124,802)**	2,093,058
Net deferred tax liabilities	**461,173,423**	860,605,400				

38. Current tax payable/(recoverable)

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Income tax				
Balance at the beginning of the year	**(140,412,781)**	(113,999,924)	**(116,076,777)**	(100,649,945)
Current income tax charge	**381,171,631**	97,702,131	**417,621,136**	146,373,274
Payments made during the year	**(170,152,066)**	(41,071,735)	**(225,108,839)**	(77,977,505)
Economic service charges	**(33,322,064)**	(50,192,507)	**(33,322,064)**	(50,192,507)
Withholding tax on interest income	**(9,438,866)**	(32,850,746)	**(9,747,599)**	(33,630,094)
Balance at the end of the year	**27,845,854**	(140,412,781)	**33,365,857**	(116,076,777)
Other tax liabilities	**65,097,929**	62,613,430	**71,576,913**	68,369,864
	92,943,783	(77,799,351)	**104,942,770**	(47,706,913)

39. Amounts due to related companies

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Newest Capital Limited	**282,396,920**	291,578,050	**–**	–
	282,396,920	291,578,050	**–**	–

40. Other liabilities

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Accrued expenditure – Non-interest	**3,578,897**	8,766,000	**4,059,791**	9,123,898
Payable to suppliers	**457,679,979**	495,312,605	**457,679,979**	495,312,605
Dividend payable	**7,347,125**	6,265,873	**7,347,125**	6,265,873
Value added tax payable	**5,918,753**	1,682,363	**8,429,791**	5,352,565
Deposit insurance premium	**1,137,492**	1,100,000	**1,137,492**	1,100,000
Differed loan protection fee income	**47,651,470**	–	**47,651,470**	–
Other liabilities	**33,479,183**	42,449,632	**33,703,433**	42,673,882
	556,792,899	555,576,473	**560,009,081**	559,828,823

41. Employee retirement benefits

As at 31 March	Note	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year		**81,109,264**	78,499,749	**81,738,958**	78,848,705
Retirement benefit expense recognised in the Income Statement	41.1	**17,939,458**	16,512,685	**18,156,112**	16,687,932
Retirement benefit expense recognised in the Statement of Other Comprehensive Income	41.2	**(5,999,263)**	6,400,199	**(5,999,263)**	6,505,690
Benefits paid during the year		**(4,476,559)**	(20,303,369)	**(4,476,559)**	(20,303,369)
Balance at the end of the year		**88,572,900**	81,109,264	**89,419,248**	81,738,958

41.1 Retirement benefit expense recognised in the income statement

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Current service cost	**9,422,986**	7,877,713	**9,639,640**	8,017,018
Interest cost	**8,516,472**	8,634,972	**8,516,472**	8,670,914
Total	**17,939,458**	16,512,685	**18,156,112**	16,687,932

41.2 Retirement benefit expense recognised in the statement of other comprehensive income

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Actuarial (gain)/loss at the end of the year	**(5,999,263)**	6,400,199	**(5,999,263)**	6,505,690
	(5,999,263)	6,400,199	**(5,999,263)**	6,505,690

Mr Piyal S Goonathilake FSA (USA), a member of the American Academy of Actuaries has carried out an independent actuarial valuation of the defined benefit obligation as at 31 March 2019. The valuation was carried out using the Projected Unit Credit Actuarial Cost Method, the method recommended by Sri Lanka Accounting Standard – LKAS 19 on "Defined Benefit Obligations".

As at 31 March	2019	2018
Discount rate	**12.0%**	10.5%
Salary scale	**7.5%**	7.5%
Retirement age	**55 years**	55 years

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

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the income statement and employment benefit obligation for the year:

Increase/(decrease) in discount rate	Increase/(decrease) in salary increment rate	Sensitivity effect on income statement increase/(reduction) in results for the year LKR '000	Sensitivity effect on employment benefit obligation increase/(reduction) in the liability LKR '000
+1%	–	(3,996)	3,996
-1%	–	4,507	(4,507)
–	+1%	(4,478)	4,478
–	-1%	4,033	(4,033)

42. Stated capital

As at 31 March	2019 Number of shares	2019 Value (LKR)	2018 Number of shares	2018 Value (LKR)
Issued and fully-paid shares				
At the beginning of the year	**72,475,061**	**1,587,862,680**	65,227,555	1,008,062,200
Rights issue	**–**	**–**	7,247,506	579,800,480
At the end of the year	**72,475,061**	**1,587,862,680**	72,475,061	1,587,862,680

In accordance with Companies Act No. 07 of 2007 the above shares do not have a par value.

43. Statutory reserve fund

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year	**365,036,033**	310,036,033	**369,997,079**	310,190,064
Transfers during the year	**50,000,000**	55,000,000	**50,000,000**	59,807,015
Balance at the end of the year	**415,036,033**	365,036,033	**419,997,079**	369,997,079

The Reserve Fund is maintained in compliance with Direction (Capital Funds) No. 1 of 2003 of the Central Bank of Sri Lanka for Licensed Finance Companies.

As per the said Direction, every licensed finance company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of each year after due provisions has been made for taxation and bad and doubtful debts on following basis:

Capital funds to deposit liabilities	Percentage of transfer to reserve fund
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company has transferred an amount of LKR 50,000,000/-, which is above the required 5% of its net profit after taxation to the reserve fund as the Company's capital funds to deposit liabilities, belongs to not less than 25% category.

44. Available-for-sale reserve

As at 31 March	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Balance at the beginning of the year	**7,171,473**	4,361,183	**7,171,473**	4,361,183
Reclassification of available for sale as FVTPL	**(7,171,473)**	–	**(7,171,473)**	–
Net gain/(loss) on remeasuring financial investments	**–**	8,306,537	**–**	8,306,537
Fair value (losses)/gains realised and reclassified to the Statement of Profit or Loss during the year	**–**	(5,496,247)	**–**	(5,496,247)
Balance at the end of the year	**–**	7,171,473	**–**	7,171,473

The available-for-sale reserve comprises the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

45. Related party transactions

The Company carries out transactions in the ordinary course of its business with partied who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 – "Related Party Disclosures" Details of related party transactions are reported below:

Name of the Company	Nature of transaction	Transaction amount 2019 LKR	Transaction amount 2018 LKR	Balance outstanding as at 31 March 2019 LKR	Balance outstanding as at 31 March 2018 LKR
Parent company					
E.W. Balasuriya and Company (Private) Limited	Payment of rent expenses	(6,000,000)	(5,100,000)	–	–
	Dividend payment	(128,439,549)	(119,876,912)	–	–
	Reimbursement of expenses	18,875,000	18,937,600	–	–
	Investment in rights issue	–	326,195,680	–	–
	Net funds (paid)/received	(115,564,549)	220,156,368	–	–
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	9,691,830	15,320,443	51,414,567	41,678,456
	Deposit interest expense	(4,903,216)	(4,594,221)	–	–
	Rent income	300,000	300,000	–	–
	Dividend income	79,120,000	91,350,000	–	–
	Net funds received	84,208,614	102,376,222	–	–
	Balance payable	–	–	(51,414,567)	(41,678,456)
Subsidiary					
Newest Capital Limited	Funds collected on behalf of Newest Capital Limited	231,545	14,508,000	–	–
	Payment made on behalf of Newest Capital Limited	(9,412,675)	(1,577,186)	–	–
	Reimbursement of expenses to Senkadagala Finance PLC	–	7,045,000	–	–
	Net funds (paid)/received	(9,181,130)	19,975,814	–	–
	Transfer of Investment property	–	(289,000,000)	–	–
	Transfer of property, plant and equipment	–	(59,187)	–	–
	Transfer of advance received	–	3,627,000	–	–
	Transfer of insurance premium	–	(295,026)	–	–
	Net balance of transfer payable	–	(285,727,213)	–	–
	Balance payable	–	–	(282,396,920)	(291,578,050)
Company under common control					
Senkadagala Hotels Limited	Payment of rent expense	(736,742)	(803,719)	–	–
	Deposit interest expense	(6,801,800)	(5,049,168)	–	–
	Net investment in fixed deposits	20,495,252	16,887,751	–	–
	Net funds received	19,758,510	16,084,032	–	–
	Balance payable	–	–	(72,542,474)	(52,047,222)

45.1 Transactions with key management personnel (KMP) of the Company

According to Sri Lanka Accounting Standard – LKAS 24 – "Related Party Disclosures, Key management personnel" are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly Senior Management Team, Deputy CEO, CEO and the other members of the Board of Directors of the Company (including Executive and Non-Executive Directors), and of the Ultimate Parent Company have been classified as key management personnel of the Company.

45.1.1 Compensation of key management personnel

As at 31 March	2019 LKR	2018 LKR
Short-term employee benefits		
Board of Directors	**22,758,780**	22,958,565
Other Key Management Personnel	**86,853,270**	71,131,450

45.1.2 Post-employment benefits to key management personnel

The key management personnel are entitled to gratuity as per the provisions laid down by the payment of Gratuity Act No.12 of 1983 and such provision as at 31 March 2019 amounted to LKR 33,772,000/- (2017/18 – LKR 20,845,000/-)

45.1.3 Deposits held by key management personnel

As at 31 March	2019 LKR	2018 LKR
Deposits held with the Company	**473,723,569**	360,625,259

46. Commitments and contingencies

46.1 Capital expenditure commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to the following:

As at 31 March	2019 LKR	2018 LKR
Approved but not contracted for	–	–
Approved and contracted for	**16,121,488**	7,855,176
	16,121,488	7,855,176

46.2 Contingent liabilities

The Company has undertaken a loan protection scheme for opting customers, whereby the Company undertakes to insure a certain amount of the receivable balances of lease and hire purchase contracts with a third party insurance company for a fee collected upfront. The loss in case of death or permanent disability is covered through the insurance policy, however based on past experience the Company expects that the probable loss in the event of death and permanent disability would not result in an loss exceeding the insured amount.

Other than the matters disclosed above there were no material contingent liabilities which require adjustments to or disclosure in the Financial Statements as at the reporting date.

47. Events after the reporting period

The Board of Directors has declared and approved an interim dividend of LKR 0.60 per share for the nine Month year ended 31 December 2018, paid on 7 May 2019. Further a final dividend of LKR 0.35 per share for the year ended 31 March 2019 is recommended by the Board of Directors subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 2018/19. In accordance with the LKAS 10, events after the reporting period the proposed dividends are not recognised as a liability in the Financial Statements as at year-end.

There were no material events occurring after the reporting year that require adjustment to or disclose in the Financial Statements other than that disclosed above.

48. Maturity analysis

48.1 Company

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2019, based on the remaining period from the reporting date to the respective contractual maturity dates is given below:

	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Total as at 31 March 2019 LKR
Interest earning assets					
Cash and cash equivalents	720,853,597	–	–	–	**720,853,597**
Deposit with licensed commercial banks	1,350,947,501	–	–	–	**1,350,947,501**
Investment in Government and other securities	2,371,531,829	–	188,416,281	–	**2,559,948,110**
Loans and advances	4,101,305,095	9,378,027,347	12,652,075,877	2,938,340,390	**29,069,748,709**
Total interest earning assets	8,544,638,022	9,378,027,347	12,840,492,158	2,938,340,390	**33,701,497,917**
Non-interest earning assets					
Financial assets held at fair value through profit and loss	167,900,307	–	–	–	**167,900,307**
Financial assets measured at fair value through other comprehensive income	–	–	–	14,597,603	**14,597,603**
Investment in subsidiary	–	–	–	320,000,000	**320,000,000**
Tangible and intangible assets	–	–	–	2,332,831,314	**2,332,831,314**
Other receivables	113,825,031	78,773,030	27,512,151	26,125,916	**246,236,128**
Total assets	8,826,363,360	9,456,800,377	12,868,004,309	5,631,895,223	**36,783,063,269**
Percentage as at 31 March 2019 (%)	24	26	35	15	**100**
Interest-bearing liabilities					
Deposits from customers	2,583,293,513	5,394,591,468	1,625,846,955	405,244,110	**10,008,976,046**
Bank overdrafts	51,936,849	–	–	–	**51,936,849**
Due to banks	785,444,204	1,989,442,244	2,996,373,312	1,874,999,900	**7,646,259,660**
Borrowings	634,013,959	2,369,368,533	4,121,293,331	2,440,105,671	**9,564,781,494**
Debt securities issued	–	198,936,393	2,533,111,502	–	**2,732,047,895**
Total interest-bearing liabilities	4,054,688,525	9,952,338,638	11,276,625,100	4,720,349,681	**30,004,001,944**
Non-interest-bearing liabilities	486,243,378	294,449,296	190,504,162	510,823,787	**1,482,020,623**
Total liabilities	4,540,931,903	10,246,787,934	11,467,129,262	5,231,173,468	**31,486,022,567**
Percentage as at 31 March 2019 (%)	12	28	31	14	**86**
Shareholders' funds	–	–	–	5,297,040,702	**5,297,040,702**
Total shareholders' funds and liabilities	4,540,931,903	10,246,787,934	11,467,129,262	10,528,214,170	**36,783,063,269**

48.2 Group

An analysis of the total assets employed and the total liabilities of the Group as at 31 March 2019, based on the remaining period from the reporting date to the respective contractual maturity dates is given below:

	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Total as at 31 March 2019 LKR
Interest earning assets					
Cash and cash equivalents	724,775,309	–	–	–	**724,775,309**
Deposit with licensed commercial banks	1,350,947,501	–	–	–	**1,350,947,501**
Investment in Government and other securities	2,371,531,829	–	188,416,281	–	**2,559,948,110**
Loans and advances	4,101,305,095	9,378,027,347	12,652,075,877	2,938,340,390	**29,069,748,709**
Total interest earning assets	8,548,559,734	9,378,027,347	12,840,492,158	2,938,340,390	**33,705,419,629**
Non-interest earning assets					
Financial assets held at fair value through profit and loss	167,900,307	–	–	–	**167,900,307**
Financial assets measured at fair value through other comprehensive income	–	–	–	14,597,603	**14,597,603**
Tangible and intangible assets	–	–	–	2,239,232,857	**2,239,232,857**
Other receivables	87,837,094	84,827,287	24,455,034	28,602,346	**225,721,761**
Total assets	8,804,297,135	9,462,854,634	12,864,947,192	5,220,773,196	**36,352,872,157**
Percentage as at 31 March 2019 (%)	24	26	36	14	**100**
Interest-bearing liabilities					
Deposits from customers	2,537,254,777	5,389,215,637	1,625,846,955	405,244,110	**9,957,561,479**
Bank overdrafts	51,936,849	–	–	–	**51,936,849**
Due to banks	785,444,204	1,989,442,244	2,996,373,312	1,874,999,900	**7,646,259,660**
Borrowings	634,013,959	2,369,368,533	4,121,293,331	2,440,105,671	**9,564,781,494**
Debt securities issued	–	198,936,393	2,533,111,502	–	**2,732,047,895**
Total interest bearing liabilities	4,008,649,789	9,946,962,807	11,276,625,100	4,720,349,681	**29,952,837,377**
Non-interest-bearing liabilities	214,483,065	299,113,576	190,870,191	511,077,690	**1,215,544,522**
Total liabilities	4,223,132,854	10,246,076,383	11,467,495,291	5,231,427,371	**31,168,131,899**
Percentage as at 31 March 2019 (%)	12	28	32	14	**86**
Shareholders' funds	–	–	–	5,184,740,258	**5,184,740,258**
Total shareholders' funds and liabilities	4,223,132,854	10,246,076,383	11,467,495,291	10,416,167,629	**36,352,872,157**

49. Segment report

As at 31 March	Leasing and hire purchases 2019 LKR	Leasing and hire purchases 2018 LKR	Pawning advances 2019 LKR	Pawning advances 2018 LKR	Other advances 2019 LKR	Other advances 2018 LKR
Revenue						
External customers						
Interest	**5,783,112,980**	5,146,052,571	**246,654,396**	176,624,867	**607,684,069**	805,032,870
Trading	**–**	–	**–**	–	**–**	–
Commissions	**–**	–	**–**	–	**–**	–
Rent	**–**	–	**–**	–	**–**	–
Dividends	**–**	–	**–**	–	**–**	–
Other income	**42,514,365**	37,898,029	**–**	–	**–**	–
Total revenue	**5,825,627,345**	5,183,950,600	**246,654,396**	176,624,867	**607,684,069**	805,032,870
Profit before tax						
Taxation						
Profit after tax						
Segment assets	**25,916,966,738**	24,049,704,770	**1,196,462,693**	993,680,335	**1,956,319,278**	2,758,400,332
Segment liabilities	**25,220,924,598**	23,821,745,802	**1,067,842,407**	811,642,126	**2,630,850,409**	3,699,357,859
Information on cash flows						
Operating activities	**790,630,334**	321,660,511	**21,336,399**	(16,280,121)	**323,944,701**	5,338,119
Investing activities	**–**	–	**–**	–	**–**	–
Capital expenditure	**(664,802,642)**	(241,792,803)	**(30,690,766)**	(9,990,341)	**(50,182,039)**	(27,732,621)
Financing activities	**–**	–	**–**	–	**–**	–
Net cash flow	**125,827,692**	79,867,708	**(9,354,367)**	(26,270,462)	**273,762,662**	(22,394,502)
Depreciation and amortisation	**(284,847,518)**	(249,232,683)	**(13,150,051)**	(10,297,740)	**(21,501,463)**	(28,585,944)

	Investments		Insurance Brokering		Unallocated		Total	
	2019 LKR	2018 LKR	**2019 LKR**	2018 LKR	**2019 LKR**	2018 LKR	**2019 LKR**	2018 LKR
	359,570,025	346,454,657	**–**	–	**–**	–	**6,997,021,470**	6,474,164,965
	(19,846,598)	9,168,015	**–**	–	**143,728**	110,530	**(19,702,870)**	9,278,545
	–	–	**133,718,554**	144,121,384	**–**	–	**133,718,554**	144,121,384
	18,630,755	19,990,913	**–**	–	**–**	–	**18,630,755**	19,990,913
	2,594,358	2,918,382	**–**	–	**–**	–	**2,594,358**	2,918,382
	45,580,900	66,838,726	**–**	–	**109,020,008**	78,170,654	**197,115,273**	182,907,409
	406,529,440	445,370,693	**133,718,554**	144,121,384	**109,163,736**	78,281,184	**7,329,377,540**	6,833,381,598
							913,902,042	1,410,678,709
							(27,944,357)	(408,336,384)
							885,957,685	1,002,342,325
	6,328,604,323	6,361,542,540	**8,549,405**	58,269,578	**945,969,720**	1,557,831,139	**36,352,872,157**	35,779,428,694
	1,759,990,426	2,046,606,585	**15,073,590**	56,405,448	**473,450,469**	359,838,941	**31,168,131,899**	30,795,596,761
	(270,472,579)	(989,791,625)	**77,149,527**	67,579,788	**(243,772,603)**	(330,507,508)	**698,815,779**	(942,000,836)
	4,629,942	(25,857,131)	**–**	–	**114,880,623**	124,505,757	**119,510,565**	98,648,626
	(162,336,624)	(63,958,174)	**(36,720)**	(536,760)	**(24,265,307)**	(15,662,245)	**(932,314,098)**	(359,672,944)
	–	–	**–**	–	**103,432,116**	1,439,853,512	**103,432,116**	1,439,853,512
	(428,179,261)	(1,079,606,930)	**77,112,807**	67,043,028	**(49,725,171)**	1,217,652,756	**(10,555,638)**	236,828,358
	(3,400,000)	–	**(1,209,565)**	(1,198,546)	**(10,396,939)**	(19,174,123)	**(334,505,536)**	(308,489,036)

50. Financial instruments – Fair values

A. Accounting classifications and fair values – Company

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		
As at 31 March 2019	Designated at FVTPL LKR	Designated at FVOCI LKR	Financial assets at amortised cost – loans and receivables LKR
Financial assets measured at fair value			
Investments in equity securities – Quoted	67,905,307	–	–
Investments in equity securities – Unquoted	–	14,597,603	–
Investments in unit trust – Quoted	2,150,000	–	–
Investments in unit trust – Unquoted	97,845,000	–	–
	167,900,307	14,597,603	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	720,853,597
Deposit with licensed commercial banks	–	–	1,350,947,501
Repurchase agreements	–	–	1,515,652,849
Loans and advances	–	–	28,786,991,085
Other advances	–	–	282,757,624
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	–	32,657,202,656
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
	–	–	–

			Fair value			
Financial assets at amortised cost – Other financial instruments LKR	Other financial liabilities LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
–	–	67,905,307	67,905,307	–	–	67,905,307
–	–	14,597,603	–	–	14,597,603	14,597,603
–	–	2,150,000	2,150,000	–	–	2,150,000
–	–	97,845,000	–	–	97,845,000	97,845,000
–	–	182,497,910	70,055,307	–	112,442,603	182,497,910
–	–	720,853,597	–	–	–	–
–	–	1,350,947,501	–	–	–	–
–	–	1,515,652,849	–	–	–	–
–	–	28,786,991,085	–	–	–	–
–	–	282,757,624	–	–	–	–
188,416,281	–	188,416,281	191,643,048	–	–	191,643,048
855,878,980	–	855,878,980	855,172,601	–	–	855,172,601
1,044,295,261	–	33,701,497,917	1,046,815,649	–	–	1,046,815,649
–	7,698,196,509	7,698,196,509	–	–	–	–
–	9,468,485,148	9,468,485,148	–	–	9,816,141,200	9,816,141,200
–	540,490,898	540,490,898	–	–	–	–
–	164,997,107	164,997,107	–	–	224,059,871	224,059,871
–	9,399,784,387	9,399,784,387	–	–	–	–
–	2,732,047,895	2,732,047,895	–	–	2,624,414,063	2,624,414,063
–	30,004,001,944	30,004,001,944	–	–	12,664,615,134	12,664,615,134

50. Financial instruments – Fair values (continued)

A. Accounting classifications and fair values – Company (continued)

	Carrying amount		
As at 31 March 2018	Designated as FVTPL LKR	Available-for-Sale LKR	Loans and receivables LKR
Financial assets measured at fair value			
Investments in equity securities – Quoted	85,104,831	–	–
Investments in unit trust – Quoted	2,375,000	5,696,077	–
Investments in unit trust – Unquoted	–	96,606,574	–
	87,479,831	102,302,651	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	764,909,318
Deposit with licensed commercial Banks	–	–	588,383,766
Repurchase agreements	–	–	2,899,624,179
Loans and advances	–	–	27,301,961,524
Other advances	–	–	499,823,913
Investments in equity securities – Unquoted	–	10,704,006	–
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	10,704,006	32,054,702,700
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Held-to-maturity LKR	Other financial liabilities LKR	Total LKR	Fair value Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
–	–	85,104,831	85,104,831	–	–	85,104,831
–	–	8,071,077	8,071,077	–	–	8,071,077
–	–	96,606,574	–	–	96,606,574	96,606,574
–	–	189,782,482	93,175,908	–	96,606,574	189,782,482
–	–	764,909,318	–	–	–	–
–	–	588,383,766	–	–	–	–
–	–	2,899,624,179	–	–	–	–
–	–	27,301,961,524	–	–	–	–
–	–	499,823,913	–	–	–	–
–	–	10,704,006	–	–	–	–
185,086,178	–	185,086,178	191,990,964	–	–	191,990,964
782,432,811	–	782,432,811	781,505,191	–	–	781,505,191
967,518,989	–	33,032,925,695	973,496,155	–	–	973,496,155
–	6,008,726,566	6,008,726,566	–	–	–	–
–	9,124,856,580	9,124,856,580	–	–	9,341,484,219	9,341,484,219
–	382,277,210	382,277,210	–	–	–	–
–	864,650,046	864,650,046	–	–	883,737,065	883,737,065
–	8,502,982,719	8,502,982,719	–	–	–	–
–	3,127,018,895	3,127,018,895	–	–	3,096,319,007	3,096,319,007
–	1,272,876,786	1,272,876,786	–	–	1,288,858,155	1,288,858,155
–	29,283,388,802	29,283,388,802	–	–	14,610,398,446	14,610,398,446

50. Financial instruments – Fair values (continued)

B. Accounting classifications and fair values – Group

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount		
As at 31 March 2019	Designated at FVTPL LKR	Designated at FVOCI LKR	Financial assets at amortised cost – Loans and receivables LKR
Financial assets measured at fair value			
Investments in equity securities – Quoted	67,905,307	–	–
Investments in equity securities – Unquoted	–	14,597,603	–
Investments in unit trust – Quoted	2,150,000	–	–
Investments in unit trust – Unquoted	97,845,000	–	–
	167,900,307	14,597,603	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	724,775,309
Deposit with licensed commercial banks	–	–	1,350,947,501
Repurchase agreements	–	–	1,515,652,849
Loans and advances	–	–	28,786,991,085
Other advances	–	–	282,757,624
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	–	32,661,124,368
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
	–	–	–

	Financial assets at amortised cost – Other financial instruments LKR	Other financial liabilities LKR	Total LKR	Fair value Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
	–	–	67,905,307	67,905,307	–	–	67,905,307
	–	–	14,597,603	–	–	14,597,603	14,597,603
	–	–	2,150,000	2,150,000	–	–	2,150,000
	–	–	97,845,000	–	–	97,845,000	97,845,000
	–	–	182,497,910	70,055,307	–	112,442,603	182,497,910
	–	–	724,775,309	–	–	–	–
	–	–	1,350,947,501	–	–	–	–
	–	–	1,515,652,849	–	–	–	–
	–	–	28,786,991,085	–	–	–	–
	–	–	282,757,624	–	–	–	–
	188,416,281	–	188,416,281	191,643,048	–	–	191,643,048
	855,878,980	–	855,878,980	855,172,601	–	–	855,172,601
	1,044,295,261	–	33,705,419,629	1,046,815,650	–	–	1,046,815,650
	–	7,698,196,509	7,698,196,509	–	–	–	–
	–	9,417,070,581	9,417,070,581	–	–	9,764,750,317	9,764,750,317
	–	540,490,898	540,490,898	–	–	–	–
	–	164,997,107	164,997,107	–	–	224,059,871	224,059,871
	–	9,399,784,387	9,399,784,387	–	–	–	–
	–	2,732,047,895	2,732,047,895	–	–	2,624,414,063	2,624,414,063
	–	29,952,587,377	29,952,587,377	–	–	12,613,224,252	12,613,224,252

50. Financial instruments – Fair values (continued)

B. Accounting classifications and fair values – Group (continued)

	Carrying amount		
As at 31 March 2018	Designated at FVTPL	Available for sale	Loans and receivables
	LKR	LKR	LKR
Financial assets measured at fair value			
Investments in equity securities – Quoted	85,104,831	–	–
Investments in unit trust – Quoted	2,375,000	5,696,077	–
Investments in unit trust – Unquoted	–	96,606,574	–
	87,479,831	102,302,651	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	817,948,235
Deposit with licensed commercial banks	–	–	588,383,766
Repurchase agreements	–	–	2,899,624,179
Loans and advances	–	–	27,301,961,524
Other advances	–	–	499,823,913
Investments in equity securities – Unquoted	–	10,704,006	–
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	10,704,006	32,107,741,617
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Held to maturity	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3	Total
LKR	LKR	LKR	LKR	LKR	LKR	LKR
–	–	85,104,831	85,104,831	–	–	85,104,831
–	–	8,071,077	8,071,077	–	–	8,071,077
–	–	96,606,574	–	–	96,606,574	96,606,574
–	–	189,782,482	93,175,908	–	96,606,574	189,782,482
–	–	817,948,235	–	–	–	–
–	–	588,383,766	–	–	–	–
–	–	2,899,624,179	–	–	–	–
–	–	27,301,961,524	–	–	–	–
–	–	499,823,913	–	–	–	–
–	–	10,704,006	–	–	–	–
185,086,178	–	185,086,178	191,990,964	–	–	191,990,964
782,432,811	–	782,432,811	781,505,191	–	–	781,505,191
967,518,989	–	33,085,964,612	973,496,155	–	–	973,496,155
–	6,060,439,800	6,060,439,800	–	–	–	–
–	9,083,178,124	9,083,178,124	–	–	9,299,870,885	9,299,870,885
–	382,277,210	382,277,210	–	–	–	–
–	864,650,046	864,650,046	–	–	883,737,065	883,737,065
–	8,502,982,719	8,502,982,719	–	–	–	–
–	3,127,018,895	3,127,018,895	–	–	3,096,319,007	3,096,319,007
–	1,272,876,786	1,272,876,786	–	–	1,288,858,155	1,288,858,155
–	29,293,423,580	29,293,423,580	–	–	14,568,785,112	14,568,785,112

50. Financial instruments – Fair values (continued)

C. Measurement of fair values – Company

1. Valuation techniques and significant unobservable inputs used for Financial Instruments not measured at fair value.

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits liability. Interest rate varied from 10.00% to 17.50%	The estimated fair Value would increase/(decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Corporate debt securities	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	N/A	N/A

*** Other liabilities consists of due to banks, deposits from customers, borrowings and debentures.*

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short term in nature or re-price to current market rates frequently.

Assets	Liabilities
Cash and cash equivalents	Other liabilities
Repurchase agreements	Savings deposits from customers
Other advances	Short term and floating rated borrowings
	Bank overdrafts

D. Measurement of fair values – Group

1. Valuation techniques and significant unobservable inputs used for Financial Instruments not measured at fair value.

The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits liability. Interest rate varied from 10.00% to 17.50%	The estimated fair Value would increase/(decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Corporate debt securities	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	N/A	N/A

*** Other liabilities consists of Due to banks, Deposits from customers, borrowings and debentures.*

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short term in nature or reprise to current market rates frequently.

Assets

Cash and cash equivalents

Repurchase agreements

Other advances

Liabilities

Other liabilities

Savings deposits from customers

Short term and floating rated borrowings

Bank overdrafts

51. Risk management

51.1 Introduction

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. Risk is an integral component of the business model of any finance company. Accordingly, the purpose of risk management is that the institution properly identifies, measures and handles risk and prepares adequate reports on all these efforts so that the extent of risks which the Company has assumed have been compensated with adequate return.

With this in mind, the Company has established and operates mechanisms, which ensure the on-going assessment of relevant risk types on an individual basis and of the overall risk position of the organisation.

At Senkadagala Finance PLC, the Board of Directors approves the Integrated Risk Management Policy, which sets the objectives, principles, processes and responsibilities for risk management within the Company. The policy sets guidelines for defining, quantifying, monitoring and reporting financial risks. The integrated Risk Management Committee, which is a subcommittee of the Board, is responsible for reviewing the effectiveness of risk control policies, procedures and regulations.

More specifically, the committee is responsible for ensuring

- Integrity and adequacy of the risk management function of the Company
- Adequacy of the Company's capital
- Risk exposures and risk profiles of the Company are within acceptable parameters and to make recommendations to the Board of Directors on any action required
- The compliance of the Company's operations with relevant laws, regulations and standards

The Company is primarily exposed to credit risk, market risk, liquidity risk, operational risk and regulatory risk.

51.2 Credit risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. In order to manage credit risk, the Company has established robust policies for credit appraisal and the staff is regularly trained in evaluating creditworthiness of prospective clients, Senkadagala Finance PLC manages high-risk sectors through sector restrictions that require prior high-level clearance before taking on new exposures even for small amounts. Once credits facilities are funded, they are continually monitored to identify changes in risk profiles. Further, sourcing and approval of clients are segregated to achieve independence. Recovery and NPA management are also given greater emphasis and are aggressively monitored.

The Company has undertaken, for a fee received in advanced from willing customers in the event of a death of a lessee the Company will not pursue litigation on the outstanding due from the next of kin or legal heir of the deceased and release them from all legal encumbrances. The Company has mitigated this risk by obtaining an insurance policy to cover its exposure on the above.

Impairment assessment

Individually assessed allowances

It is determined the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in financial difficulty. Projected receipts and the expected pay out should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

If the Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

The Company computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information. Economic data such as current economic conditions, unemployment levels and local or industry-specific problems are also considered when assessing the collective impairment.

With the adoption of SLFRS 9 – "Financial instruments" the Company manages credit quality using a three stage approach which is in line with the new standard requirements as well.

Stage one : 12-month expected credit losses (ECL)
Stage two : Lifetime expected credit losses (ECL) – Not credit impaired
Stage three : Lifetime expected credit losses (ECL) – Credit impaired

Table below shows the classification of assets based on the above-mentioned three stage model:

51.2.1 Credit quality by class of financial assets

As at 31 March 2019	12-month ECL LKR	Life time ECL – Not credit impaired LKR	Life time ECL – Credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	720,853,597	–	–	720,853,597
Deposit with licensed commercial banks	1,350,947,501	–	–	1,350,947,501
Repurchase agreements	1,515,652,849	–	–	1,515,652,849
Financial assets held at fair value through profit or loss	167,900,307	–	–	167,900,307
Loans and advances	18,337,312,059	9,228,411,400	1,504,025,250	29,069,748,709
Financial assets measured at fair value through comprehensive income	14,597,603	–	–	14,597,603
Financial assets at amortised cost – Other financial instruments/held to maturity	1,044,295,261	–	–	1,044,295,261
Total financial assets	**23,151,559,177**	**9,228,411,400**	**1,504,025,250**	**33,883,995,827**

As at 31 March 2018	12-month ECL LKR	Life time ECL – Not credit impaired LKR	Life time ECL – Credit impaired LKR	Total LKR
Cash and cash equivalents	764,901,823	–	–	764,901,823
Deposit with licensed commercial banks	588,356,912	–	–	588,356,912
Repurchase agreements	2,899,624,179	–	–	2,899,624,179
Financial assets held at fair value through profit or loss	189,782,482	–	–	189,782,482
Loans and advances	19,119,132,587	7,507,093,463	769,695,450	27,395,921,500
Financial assets measured at fair value through comprehensive income/available for sale	10,704,006	–	–	10,704,006
Financial assets at amortised cost – Other financial instruments/held to maturity	967,518,989	–	–	967,518,989
Total financial assets	24,540,020,978	7,507,093,463	769,695,450	32,816,809,891

As at 31 March 2018	Neither past due nor impaired LKR	Past due but not impaired LKR	Individually impaired LKR	Total LKR
Assets				
Cash and cash equivalents	764,909,318	–	–	764,909,318
Deposit with licensed commercial banks	588,383,766	–	–	588,383,766
Repurchase agreements	2,899,624,179			2,899,624,179
Financial investments – Fair value through profit and loss	87,479,831	–	–	87,479,831
Loans and advances	13,234,607,547	14,295,889,618	271,288,272	27,801,785,437
Financial assets measured at fair value through comprehensive income/available for sale	113,006,657	–	–	113,006,657
Financial investments – Held to maturity	967,518,989	–	–	967,518,989
Total financial assets	18,655,530,287	14,295,889,618	271,288,272	33,222,708,177

51.2.1.1 Aging analysis of past due (i.e., facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

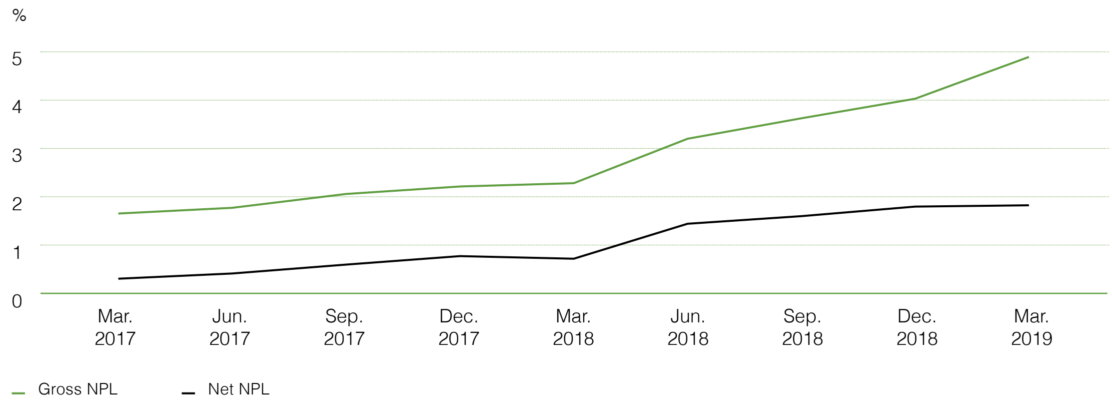
	Past due but not impaired				
	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 91 days LKR	Total LKR
Loans and advances	5,474,941,621	4,203,695,586	4,160,708,048	456,544,363	14,295,889,618
	5,474,941,621	4,203,695,586	4,160,708,048	456,544,363	14,295,889,618

51.2.2 Non-performing assets ratio

Non-performing assets percentage movement which depicts the quality of the loan portfolio of the Company during the financial year.

The gross non-performing assets ratio includes loans and advances receivable net of interest in suspense which are in arrears for more than six months as the numerator and total advances net of interest in suspense as the denominator. To arrive at the Net Non-performing assets ratio specific provisions are deducted from the numerator of the above formula.

Non-performing assets ratio



51.2.3 Industry analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31 March 2019:

Sector-wise breakdown	Cash and cash equivalent and short-term deposit LKR	Financial investments – Held at FVTPL LKR	Financial assets at amortised cost – Loans and advances** LKR	Financial assets measured at FVTOCI LKR	Financial assets at amortised cost – Other financial instruments LKR	Total financial assets LKR
Agriculture	–	105,000	1,745,245,038	–	–	1,745,350,038
Manufacturing	–	17,103,493	6,426,481,595	–	–	6,443,585,088
Construction	–	2,860,657	1,302,620,055	–	–	1,305,480,712
Financial services	3,587,453,947	126,507,381	1,581,837,408	–	–	5,295,798,736
Trading	–	95,700	7,562,126,076	–	–	7,562,221,776
Retail	–	3,611,006	1,066,059,281	–	–	1,069,670,287
Government	–	–	–	–	1,044,295,261	1,044,295,261
Hotels	–	2,978,456	636,474,882	14,307,017	–	653,760,355
Services	–	14,638,614	8,748,904,374	290,586	–	8,763,833,574
Total	3,587,453,947	167,900,307	29,069,748,709	14,597,603	1,044,295,261	33,883,995,827

***Provincial breakdown for (01) Loans and advances (02) Lease rentals receivable and Stock out on hire from customers within Sri Lanka is as follows:*

Group reviews its geographical diversification on regular basis and sets long-term target in achieving a geographical well-diversified credit portfolio. Groups strategy on geographical diversification was executed through the establishment of distribution network of the Group. The geographical concentration is considered when selecting prospective location for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

Province	Loans and advances as at 31 March 2019 LKR
Central	3,149,283,999
Eastern	1,429,141,856
North Central	1,450,623,191
North Western	2,489,924,707
Northern	1,479,085,048
Sabaragamuwa	2,546,317,745
Southern	1,922,861,464
Uva	1,466,182,610
Western	13,136,328,088
Total	**29,069,748,709**

51.3 Liquidity risk and fund management

Liquidity risk is the risk of inadequate resources to meet financial obligations in time and in full, at an acceptable cost. As Witnessed in some Licensed finance companies in the recent past, liquidity risk can pose serious threats to the existence of finance companies. The Company understands the importance of a robust liquidity risk management policy and constantly monitors the liquidity position of the Company.

Further, liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit the risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. Therefore, the Company is not exposed to significant concentration risk, with regard to liquidity.

51.3.1 Statutory liquid assets ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013, Company has maintained minimum liquid assets, not less than 10% of the outstanding value of time deposits and face value of certificates of deposits; and 15% of the outstanding value of savings deposits received by the Company at a given day; and 10% of total outstanding borrowings excluding borrowings which are included in the capital funds of the finance company and borrowings which are secured by mortgage of any asset of the Company.

Further, in accordance with the Finance Companies (Liquid Assets) Direction No. 04 of 2013 every finance company has to maintain assets in the form of approved Government Securities equivalent to 7.5% of the average of month end total deposit liabilities and borrowings of the twelve months of the proceeding financial year.

As at March 31 2019, the Company maintained Government Securities to average deposits liabilities and borrowings ratio of 12.46% (2018 – 8.21%).

51.3.2 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2019:

	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total LKR
Cash and cash equivalents	720,853,597	–	–	–	720,853,597
Deposits with licensed commercial banks	1,350,947,501	–	–	–	1,350,947,501
Repurchase agreements	1,515,652,849	–	–	–	1,515,652,849
Financial assets held at fair value through profit or loss	167,900,307	–	–	–	167,900,307
Financial assets at amortised cost – Loans and advances	4,101,305,095	9,378,027,347	12,652,075,877	2,938,340,390	29,069,748,709
Financial assets measured at fair value through other comprehensive income	–	–	–	14,597,603	14,597,603
Financial assets at amortised cost – other financial instruments	855,878,980	–	–	188,416,281	1,044,295,261
Total financial assets	8,712,538,329	9,378,027,347	12,652,075,877	3,141,354,274	33,883,995,827
Financial liabilities					
Deposits from customers	2,583,293,513	5,394,591,468	1,625,846,955	405,244,110	10,008,976,046
Bank overdraft	51,936,849	–	–	–	51,936,849
Debt instruments issued and other borrowed funds	1,419,458,163	4,557,747,170	9,650,778,145	4,315,105,571	19,943,089,049
Total financial liabilities	4,054,688,525	9,952,338,638	11,276,625,100	4,720,349,681	30,004,001,944
Net financial assets/(liabilities)	4,657,849,804	(574,311,291)	1,375,450,777	(1,578,995,407)	3,879,993,883

51.3.3 Capital management and capital adequacy

In order to be resilient in volatile economic conditions it's important to maintain an adequate capital base. The Central Bank of Sri Lanka has laid down directions to promote the strengthening of the capital base of NBFIs.

In accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred LKR 50 Mn. of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater that 25% of total deposit liabilities, only LKR 50 Mn. which is greater than the required 5% of profits for the year was transferred to this reserve.

Further in accordance with the Finance Companies (Capital Adequacy Requirements) Direction No. 03 of 2018, all the NBFIs are required to maintain, at all times its capital at a level not less than 10% of its risk weighted assets and the core capital at a level not less that 6% of risk weighted assets. The ratios as at 31 March 2019 were 14.46% and as at 31 March 2018 (as per direction No. 02 of 2006) were 16.86%. Detailed calculations are given below:

Risk weighted amount for credit risk

As at 31 March 2019	Amount LKR	Credit equivalent of off-balance sheet items LKR	Total LKR	Risk weighted assets LKR	RWA density %
Risk-weighted amount for credit risk					
Claims on Government of Sri Lanka, public sector entities	2,559,948,110	–	2,559,948,110	–	–
Claims on financial institutions	1,577,494,154	–	1,577,494,154	315,498,831	20
Claims on corporates	458,011,574	–	458,011,574	453,794,722	99
Retail claims	27,682,032,877	–	27,682,032,877	26,671,783,706	96
Claims secured by commercial real estate	28,918,867	–	28,918,867	28,918,867	100
Non-performing assets (NPAs)	1,029,253,917	–	1,029,253,917	1,419,137,305	138
Notes and coins	494,306,944	–	494,306,944	–	–
Fixed assets	2,287,699,641	–	2,287,699,641	2,287,699,641	100
Other assets/exposures	246,236,128	–	246,236,128	246,236,128	100
Total risk weighted amount for credit risk	36,363,902,212	–	36,363,902,212	31,423,069,200	

Risk weighted amount for operational risk

	2019 LKR	2018 LKR	2017 LKR	Total LKR
Interest income	6,995,603,180	6,472,114,532	4,825,712,446	18,293,430,158
Interest expenses	(3,759,531,355)	(3,410,063,681)	(2,402,304,655)	(9,571,899,691)
Non-interest income	278,141,407	298,215,189	312,423,544	888,780,140
Realised gains from the sale of securities	(2,289,975)	(7,152,560)	(5,924,388)	(15,366,923)
Extraordinary/irregular item of income	(45,580,900)	(66,838,726)	(60,013,830)	(172,433,456)
Gross income	3,466,342,357	3,286,274,754	2,669,893,117	9,422,510,228
Average gross income for operational risk capital requirement				3,140,836,743
Capital charges for operational risk (15% of average gross income for operational risk)				471,125,511
Risk-weighted amount for operational risk (reciprocal of required total capital ratio – 10%)				10
Risk-weighted amount for operational risk (using the basic indicator approach)				4,711,255,114
Total risk weighted amount				36,134,324,314

Capital base

As at 31 March 2019	LKR
Tier 1: Capital	5,293,147,105
Issued and paid-up ordinary shares	1,587,862,680
Statutory reserve fund	415,036,033
Published retained profits	3,290,248,392
Adjustment to Tier 1 capital	67,563,131
Other intangible assets (net)	45,131,673
Shortfall of cumulative impairment to total provisions and interest in suspense	–
50% of investment in banking and financial subsidiary companies	10,000,000
50% of investment in other banking and financial institutions	12,431,458
Tier 1: Capital (after adjustments)	5,225,583,974
Tier 2: Capital	392,788,365
Instruments qualified as Tier 2 capital	–
General provisions/collective impairment allowances	392,788,365
Eligible Tier 2 capital	392,788,365
Total adjustment to eligible Tier 2 capital	22,431,458
50% of investment in banking and financial subsidiary companies	10,000,000
50% of investment in other banking and financial institutions	12,431,458
Eligible Tier 2 capital after adjustments	370,356,907
Total capital	5,595,940,881
Core capital ratio (minimum requirement 6%)	
Core capital	5,225,583,974
Total risk weighted assets	36,134,324,314
	14.46%
Total capital ratio (minimum requirement 10%)	
Total capital base	5,595,940,881
Total risk weighted assets	36,134,324,314
	15.49%

As at 31 March 2018	LKR
Tier 1: Core capital	
Issued and paid-up ordinary shares	1,587,862,680
Statutory reserve fund	365,036,033
Published retained profits	3,071,416,182
Total Tier 1 capital	5,024,314,895
Tier 2: Capital	
Eligible revaluation reserves	–
Eligible general provisions	–
Approved hybrid capital instruments	–
Eligible approved unsecured subordinated term debt	250,000,000
Total Tier 2 capital	250,000,000
Deductions	
Equity investments in unconsolidated financial and banking subsidiaries	(15,374,011)
Total capital base	5,258,940,884
Core capital ratio (minimum requirement 5%)	
Core capital	5,024,314,895
Total risk weighted assets	29,803,689,825
	16.86%
Total capital ratio (minimum requirement 10%)	
Total capital base	5,258,940,884
Total risk weighted assets	29,803,689,825
	17.65%

During the 2013/14 financial year the Company issued a subordinated, unsecured, listed debenture for a sum of LKR 1,250 Mn. With the approval of the CBSL this was included in the capital base of the Company, it was expected to strengthen the capital base and to strike a balance between Tier 1 and Tier 2 capital. LKR 250 Mn., 20% of the initial issue was included in the total capital base as at 31 March 2018. The said debenture was redeemed on maturing in December 2018. Therefore, is not included in the calculation of the total capital ratio as at 31 March 2019.

51.4 Market risk

Market risk is the risk of potential losses accruing through adverse fluctuation in market interest rates, equity prices and exchange rates. Of these markets risks, the more frequent and most likely is the risk of adverse fluctuation of interest rates. The effect of such adverse movements could have an immediate and direct bearing on the Company. The Company routinely assesses its assets and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the assets and liability structure are undertaken. Overall authority for market risk management is vested in the Integrated Risk Management Committee (IRMC) of the Company.

51.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Company policy is to monitor positions on a daily basis and hedging strategies are used to ensure position are maintained within the established limits.

51.4.2 Currency risk

Currency risk is that the value of a financial instrument that could fluctuate due to changes in foreign exchange rates and arises from financial instruments dominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. The Company monitors this on a daily basis however the Company is not exposed to significant currency risk.

51.4.3 Equity price risk

Equity price risk is that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income.

51.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and from external events. Senkadagala Finance PLC manages operational risk in a variety of ways. These include maintaining a comprehensive system of internal controls including disaster recovery plans and business continuity plans, using technology to automate processes and reduce manual errors, monitoring and analysing risk, events and trends, employing experienced staff, monitoring business activities by compliance and audit professionals, requiring education and training of employees, and emphasising the importance of management oversight.

The Company has in place a process of continuous internal audit utilising the services of Messrs Ernst & Young, Advisory Services.

With the introduction of the finance companies (Capital Adequacy Requirement) Direction No. 03 of 2018 of the Central Bank of Sri Lanka, the Company has maintained a capital charge for operational risk. Accordingly on 31 March 2019 the Company provided of LKR 4,711,255,114/- as risk weighted assets to accommodate operational risk.

51.6 Regulatory risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives, Senkadagala Finance PLC manages day-to-day regulatory risk primarily by educating and training employees about regulatory requirements, establishing and maintaining appropriate policies and procedures, and monitoring for compliance. The Company has appointed a Compliance Officer for communicating regulatory requirements to each business unit, ensuring that business units have appropriate policies and procedures in place and that staff are trained to meet regulatory requirements and for tracking, escalating and reporting significant issues and finding to senior management and the Board.

In this latter process, the Compliance Officer is supported and assisted by the Company's Internal Auditors, Messrs Ernst & Young Advisory Services, who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

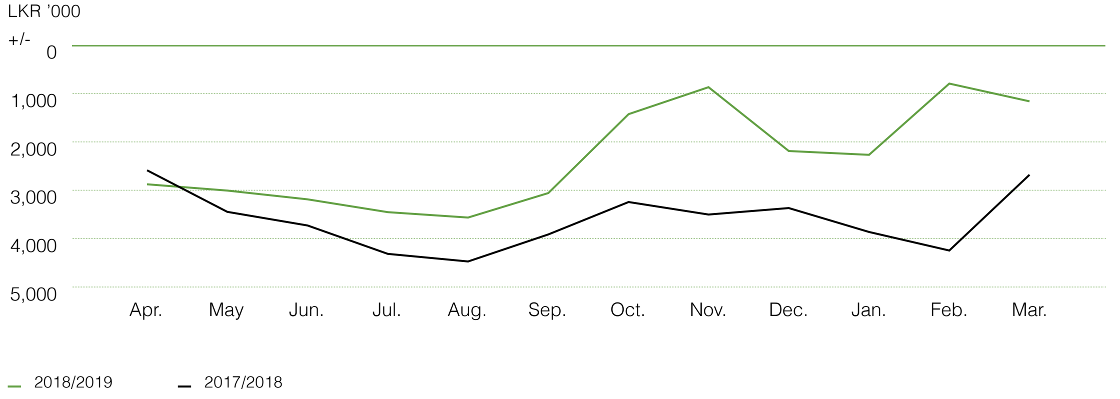
51.7 Reputation risk

Reputation risk is the risk to earning, capital or brand arising from negative publicity or employee opinion. A Company's reputation is a valuable business asset in its own right, essential to optimising shareholder value. Reputation risk cannot be managed in isolation from other forms of risks, since all risks can have an impact on reputation, which in turn can impact the brand, earning and capital. Credit, liquidity, interest rate, operational, and regulatory risk must all be managed effectively in order to safeguard the Company's reputation.

52. Sensitivity analysis

The graph below depicts the sensitivity analysis carried out on the Statement of Financial Position as at 31 March 2019 on the changes of interest rate across the market in a hypothetical situation. The Company is exposed to sudden interest rate fluctuations due to the availability of short term and floating rate funding. The exposure will partly diminish by the short term, rate sensitive investments. The time horizon of the study is restricted to a 12 months period. The Company undertakes varying degrees of such rate shocks and evaluate them to ensure that the risk exposures are within the risk appetite of the Company as compared to the anticipated market rate movements.

Impact on NII – Rate shock of 100 bps



Sensitivity to projected net interest income	100 bps parallel increase/decrease*	
	2019 LKR '000	**2018 LKR '000**
As at March	**+/-1,134**	+/- 2,658
Average for the period	**+/- 2,316**	+/- 3,616
Maximum for the period	**+/- 760**	+/- 2,562
Minimum for the period	**+/- 3,583**	+/- 4,496

**- Parallel increase in rates would have a positive impact on earnings whereas parallel decrease would have a negative impact.*

In arriving at the above result the Company considered only rate sensitive assets and liabilities.

Teamwork

Our proposition is best served through the coming together of our team

238

Annexes

Ten Year Summary

	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000	2013 LKR '000	2012 LKR '000	2011 LKR '000	2010 LKR '000
Operating results										
Interest income	**6,995,603**	6,472,115	4,825,712	3,746,374	3,584,165	3,528,336	2,861,923	1,884,502	1,493,088	1,451,560
Interest expense	**3,759,531**	3,410,064	2,402,305	1,701,766	1,750,532	1,868,499	1,524,288	841,034	679,358	845,696
Net interest income	**3,236,072**	3,062,051	2,423,408	2,044,607	1,833,634	1,659,838	1,337,635	1,043,467	813,730	605,864
Other operating income	**300,278**	298,215	312,424	218,173	131,220	94,950	113,678	131,523	177,868	100,671
Profit before taxes on financial services	**1,179,270**	1,607,203	1,280,293	971,116	697,029	657,054	735,545	692,960	435,584	172,614
Profit before income taxation	**929,284**	1,357,416	1,119,133	882,550	647,444	622,417	680,482	634,872	349,626	138,485
Profit for the year	**950,604**	1,004,671	860,971	613,182	539,639	534,942	578,526	476,450	222,400	54,951
Dividends paid	**228,296**	213,077	185,899	166,330	107,625	214,901	132,886	127,016	63,508	19,212
Balance sheet										
Assets										
Cash and near cash items	**4,631,749**	5,220,436	4,923,750	3,496,397	2,796,849	2,073,101	1,860,837	1,277,793	617,647	659,489
Investments	**182,498**	200,486	159,733	98,637	103,701	86,912	69,047	61,299	66,126	37,742
Loans and advances	**29,069,749**	27,801,785	23,757,588	16,908,140	13,582,928	12,675,542	11,559,936	8,968,566	5,398,168	4,684,291
Investments in subsidiary	**320,000**	320,000	320,000	320,000	320,000	20,000	20,000	–	–	–
Property and equipment	**2,332,831**	1,803,150	1,516,891	1,194,663	1,122,864	857,732	629,823	557,758	429,969	422,658
Other assets	**246,236**	757,962	240,865	252,107	146,677	156,390	129,935	152,086	107,544	60,948
Total assets	**36,783,063**	36,103,819	30,918,827	22,269,945	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454	5,865,128
Liabilities										
Deposits from customers	**10,008,976**	9,507,134	7,230,873	6,510,033	6,541,896	5,624,399	3,412,464	2,732,031	2,386,821	2,094,478
Borrowings	**17,262,978**	15,376,359	13,743,732	8,691,685	4,787,693	3,423,011	6,136,152	4,805,838	1,528,532	1,428,382
Debentures	**2,732,049**	4,399,896	4,992,786	3,059,849	3,579,737	4,157,346	2,618,281	1,771,753	1,425,524	1,090,000
Deferred tax liability	**461,314**	860,681	607,702	434,104	197,116	155,732	199,093	178,788	103,560	70,968
Dividends payable	**7,347**	6,266	5,337	4,454	6,280	57,295	3,648	2,427	1,684	1,340
Other liabilities	**1,013,360**	921,997	676,780	576,461	426,451	350,110	325,894	399,961	439,996	275,061
Total liabilities	**31,486,023**	31,072,333	27,257,209	19,276,586	15,539,171	13,767,894	12,695,532	9,890,798	5,886,117	4,960,228
Equity										
Stated capital	**1,587,863**	1,587,863	1,008,062	1,008,062	1,008,062	747,152	533,680	533,680	533,680	213,472
Statutory reserve fund	**415,036**	365,036	310,036	265,036	230,036	195,036	165,036	130,036	100,036	86,536
Other reserves	**3,894**	7,171	4,361	3,775	–	170,629	154,760	97,059	16,752	–
Retained earnings	**3,290,248**	3,071,416	2,339,158	1,716,486	1,295,749	988,966	720,571	365,928	82,870	604,892
Total equity	**5,297,041**	5,031,486	3,661,618	2,993,359	2,533,847	2,101,783	1,574,047	1,126,704	733,337	904,900
Total liabilities and equity	**36,783,063**	36,103,819	30,918,827	22,269,945	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454	5,865,128

Key Ratios and Indicators

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Performance indicators										
Return on average total assets (%)	**2.61**	3.00	3.24	3.04	3.18	3.55	4.58	5.40	3.56	0.95
Return on average shareholders' funds (%)	**18.41**	23.11	25.87	22.19	23.28	29.11	42.84	51.23	27.15	6.14
Net interest margin (%)	**9.70**	9.93	9.87	11.12	11.78	11.78	11.30	12.83	14.33	11.43
Growth of interest income (%)	**8.09**	34.12	28.81	4.53	1.58	23.29	51.87	26.22	2.86	(6.96)
Growth of profit for the year (%)	**(5.38)**	16.69	40.41	13.63	0.88	(7.53)	21.42	114.23	304.73	(10.45)
Growth of loans and advances (%)	**4.56**	17.02	40.51	24.48	7.16	9.65	28.89	66.14	15.24	(4.05)
New advances disbursed LKR Mn.	**17,000**	17,600	17,290	11,869	8,264	6,861	7,009	7,325	4,069	2,361
Net flow of deposits LKR Mn.	**502**	2,276	721	(32)	917	2,212	680	345	298	696
Borrowings obtained LKR Mn.	**7,300**	6,740	7,800	5,500	3,383	1,860	3,703	4,569	1,021	1,006
Debentures issued LKR Mn.	**–**	–	3,000	–	–	2,410	1,216	565	300	350
Capital expenditure incurred LKR Mn.	**932**	359	641	351	473	408	214	243	103	104
Gross non-performing asset ratio (%)	**4.93**	2.28	1.64	2.02	4.30	3.48	1.07	1.18	2.30	4.31
Investor information										
Earnings per share (LKR)	**13.12**	13.97	13.20	9.40	8.27	8.63	10.64	8.93	4.17	1.03
Dividends per share (LKR)	**3.15**	3.00	2.85	2.55	1.65	3.66	2.49	2.38	1.51	0.90
Net assets per share (LKR)	**73.09**	69.42	56.14	45.89	38.85	35.80	29.49	21.11	13.74	42.39
Interest cover (times)	**1.25**	1.29	1.36	1.36	1.31	1.29	1.38	1.57	1.33	1.06
Dividends cover (times)	**4.16**	4.72	4.63	3.69	5.01	2.49	4.35	3.75	3.50	2.86
Dividend payout ratio (%)	**24.02**	21.21	21.59	27.13	19.94	40.17	22.97	26.66	28.56	34.96
Capital and leverage										
Core capital (%)	**14.46**	16.86	14.19	15.82	16.54	14.00	11.41	10.51	12.07	17.56
Total capital (%)	**15.49**	17.65	16.08	19.90	22.97	20.93	11.31	10.51	12.07	17.56
Equity as a per cent of total assets (%)	**14.40**	13.94	11.84	13.44	14.02	13.24	11.03	10.23	11.08	15.43
Equity as a per cent of total deposits and borrowings (%)	**17.65**	17.18	14.10	16.39	17.00	15.92	12.94	12.10	13.73	19.62
Growth of total assets (%)	**1.88**	16.77	38.84	23.22	13.88	11.21	29.52	66.44	12.86	2.03
Growth of net assets (%)	**5.28**	37.41	22.32	18.13	20.56	33.53	39.70	53.64	(18.96)	2.11
Earnings retention ratio (%)	**75.98**	78.79	78.41	72.87	80.06	59.83	77.03	73.34	71.44	65.04
Total deposit liabilities to capital (%)	**52.92**	52.92	50.64	45.98	38.73	37.37	46.13	41.24	30.72	43.20
Debt to equity ratio (times)	**3.77**	3.93	5.12	3.93	3.30	3.61	5.56	5.84	4.03	2.78
Liquidity										
Liquid assets as a per cent of total assets	**12.59**	14.46	15.92	15.70	15.48	13.06	13.04	11.60	9.33	11.24
Liquid assets as a per cent of total deposit liability	**46.28**	54.91	68.09	53.71	42.75	36.86	54.53	46.77	25.88	31.49
Operational										
Number of branches	**59**	54	49	39	39	39	39	30	30	30
Number of service centres	**41**	41	41	41	41	24	13	15	0	0
Number of pawning centres	**26**	26	18	13	11	11	6	1	0	0
Number of staff	**794**	745	690	627	601	492	414	347	235	213
Staff productivity (LKR '000)	**1,170**	1,822	1,622	1,408	1,077	1,265	1,644	1,830	1,488	650

Branch/Service Centre Network

Branches	Address	Telephone	Fax
Akuressa	No. 24/20, Pradeshiya Sabha Road, Akuressa	+94 41 228 5060	+94 41 228 5065
Aluthgama	No. 152 1/1, 1st Floor, Galle Road, Aluthgama	+94 34 227 0573	+94 34 227 0578
Ampara	No. 778 A, D S Senanayaka Mawatha, Ampara	+94 63 222 4057	+94 63 222 4093
Angoda	No. 650, Avissawella Road, Mulleriyawa, Angoda South	+94 11 241 7780	+94 11 241 7785
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura	+94 25 223 7969	+94 25 223 7989
Aturugiriya	No. 303, Godagama Road, Athurugiriya	+94 11 218 5888	+94 11 218 5889
Badulla	No. 2, Riverside Road, Badulla	+94 55 222 4401	+94 55 222 4407
Bandaragama	No. 91, Panadura Road, Bandaragama	+94 38 229 3903	+94 38 229 3924
Colombo 3	2nd Floor, No. 267, Galle Road, Colombo 3	+94 11 230 1301	+94 11 230 1937
Dambulla	No. 357, Matale Road, Dambulla	+94 66 228 5530	+94 66 228 5535
Dehiaththakandiya	No. F-74, New Town, Dehiattakandiya	+94 27 205 0800	+94 27 205 0805
Deniyaya	No. 54, Main Street, Deniyaya	+94 41 227 3891	+94 41 227 3896
Embilipitiya	No. 325B, Ratnapura Road, Pallegama, Embilipitiya	+94 47 226 1991	+94 47 226 1996
Fort	No. 48, Mudalige Mawatha, Colombo 01	+94 11 244 6901	+94 11 244 6904
Galle	No. 143, Colombo Road, Kaluwella, Galle	+94 91 224 8111	+94 91 224 8116
Gampaha	No. 560 A, Colombo Road, Gampaha	+94 33 223 3555	+94 33 223 3560
Gampola	No.42, Panabokka Mawatha, Gampola	+94 81 235 0100	+94 81 235 1850
Homagama	No. 94/1 (1st Floor) Highlevel Road, Homagama	+94 11 285 7878	+94 11 285 7880
Horana	No. 246, Panadura Road, Horana	+94 34 226 2770	+94 34 226 2776
Ja Ela	No. 356, Weligampitiya, Colombo Road, Ja-Ela	+94 11 224 7861	+94 11 224 7866
Jaffna	No. 62/3, New Stanley Road, Jaffna	+94 21 221 9960	+94 21 221 9965
Kaduruwela	No. 292, Saw Mill Junction, Kaduruwela	+94 27 222 4739	+94 27 222 4743
Kaduwela	No. 482/5/A, Colombo Road, Kaduwela	+94 11 253 8180	+94 11 253 8186
Kahawatta	No. 187, Main Street, Kahawatta	+94 45 227 1972	+94 45 227 1977
Kalawana	No. 1/100, Mathugama Road, Kalawana	+94 45 225 6561	+94 45 225 6566
Kandy	No. 12, Kotugodella Vidiya, Kandy	+94 81 220 1201	+94 81 220 1207
Katugastota	No. 437B, Katugastota Road, Kandy	+94 81 221 3860	+94 81 221 3867
Kegalle	No. 243, Colombo Road, Kegalle	+94 35 222 1277	+94 35 222 1281
Kelaniya	No. 457, Kandy Road, Dalugama, Kelaniya	+94 11 291 4714	+94 11 291 4887
Kirindiwela	No. 27/16/1, Nugahenawatta, Kirindiwela	+94 33 224 7851	+94 33 224 7856
Kotahena	No. 178 (Third Floor) George R De Silva Mawatha, Colombo 13	+94 11 244 1261	+94 11 244 1267

Branches	Address	Telephone	Fax
Kuliyapitiya	No. 74/1/1, Hettipola Road, Kuliyapitiya	+94 37 228 4630	+94 37 228 4635
Kurunegala	No. 34, Kandy Road, Kurunegala	+94 37 222 0402	+94 37 222 0405
Maharagama	No. 163, High Level Road, Maharagama	+94 11 289 6888	+94 11 289 6052
Maho	No. 234, Moragollagama Road, Maho	+94 37 227 5320	+94 37 227 5324
Matale	No. 97, 97A, King's Street, Matale	+94 66 222 2954	+94 66 222 2960
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara	+94 41 223 3891	+94 41 223 3896
Mathugama	No. 146, Aluthgama Road, Mathugama	+94 34 229 5000	+94 34 229 5005
Mawanella	No. 10, (1st Floor) Rankothdiwela, Mawanella	+94 35 224 7626	+94 35 224 7655
Mawathagama	No. 174 "Thissa Saw Mill", 7th Mile Post, Kurunegala Road, Mawathagama	+94 37 229 6443	+94 37 229 6448
Mount Lavinia	No. 246, 1/1, Galle Road, Ratmalana South, Mount Lavinia	+94 11 271 5001	+94 11 271 5002
Narammala	No. 285, Uyanwatta Road, Narammala	+94 37 224 9892	+94 37 224 9897
Negombo	No. 149, 1st Floor, Rajapaksha Broadway, Negombo	+94 31 222 3456	+94 11 222 3462
Nittambuwa	No. 538/3, 38 Kilometer Post, Malwatta, Nittambuwa	+94 33 229 7030	+94 33 229 7035
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	+94 11 285 6600	+94 11 285 6650
Nuwara Eliya	No. 26, Upper Lake Road, Nuwara Eliya	+94 52 222 4123	+94 52 222 4128
Padukka	No. 397/A, High Level Road, Galagedara, Padukka	+94 11 208 5990	+94 11 208 5995
Panadura	No. 229, Galle Road, Panadura	+94 38 224 3990	+94 38 224 3995
Pelawatte	No. 1067, Pannipitiya Road, Battaramulla	+94 11 277 4140	+94 11 277 4145
Piliyandala	No. 91B, 93, Colombo Road, Piliyandala	+94 11 261 5740	+94 11 261 5745
Pothuhera	No.175, Kurunegala Road, Pothuhera	+94 37 223 7783	+94 37 223 7784
Puttalam	Level 1, No.1, Kurunegala Road, Puttalam	+94 32 226 6783	+94 32 226 6789
Ratnapura	No. 19, Kudugalawatte, Ratnapura	+94 45 222 6890	+94 45 222 6895
Thambuththegama	No. 185/158, Regina Junction, Thambuttegama	+94 25 227 5472	+94 25 227 5478
Vavuniya	No. 8, 1st Cross Street, Vavuniya	+94 24 222 6340	+94 24 222 6345
Wattala	No. 264, Negombo Road, Wattala	+94 11 294 9611	+94 11 294 9616
Wattegama	No. 79, Kandy Road, Wattegama	+94 81 247 6331	+94 81 247 6350
Welimada	No. 17, Haputale Road, Welimada	+94 57 224 5684	+94 57 224 5690
Wennappuwa	No. 272, Chilaw Road, Wennappuwa	+94 31 224 5226	+94 31 224 5271

Service centres	Address	Telephone	Fax
Ambalangoda	No. 118B, Galle Road, Ambalangoda	+94 91 225 4901	+94 91 225 4906
Avissawella	No.19, Kudagama Road, Avissawella	+94 36 222 2800	+94 36 222 2805
Balangoda	No. 281, Colombo Road, Balagahamula, Balangoda	+94 45 228 9533	+94 45 228 9537
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela	+94 57 222 2675	+94 57 222 2679
Batticaloa	No. 221 (Ground and 1st Floor), Trinco Road, Batticaloa	+94 65 222 9200	+94 65 222 9205
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri	+94 21 227 0951	+94 21 227 0956
Chilaw	No. 53, Kurunegala Road, Chilaw	+94 32 222 4043	+94 32 222 4048
Dehiwala	No. 121, Galle Road, Dehiwela	+94 11 273 2456	+94 11 273 2460
Digana	No. 2004/18/7, Kandy Road, Digana	+94 81 237 6623	+94 81 237 6643
Eheliyagoda	No. 320, Main Street, Eheliyagoda	+94 36 225 7341	+94 36 225 7346
Elpitiya	No. 42, Ambalangoda Road, Elpitiya	+94 91 229 0485	+94 91 229 0495
Galewela	No. 87/3A, Kurunegala Road, Galewela	+94 66 228 8025	+94 66 228 8075
Giriulla	No. 101, Negombo Road, Giriulla	+94 37 228 8700	+94 37 228 8770
Hanwella	No. 40, Pahala Hanwella, Hanwella	+94 36 225 2190	+94 36 225 2195
Hingurakgoda	No. 9, Airport Road, Hingurakgoda	+94 27 224 5680	+94 27 224 5685
Jampettah Street	No. 124, Jampettah Street, Colombo 13	+94 11 238 0804	+94 11 238 0809
Kadawatha	No. 316H, Kandy Road, Kadawatha	+94 11 292 9010	+94 11 292 9090
Kalmunai	No. 202, Baticaloa Road, Kalmunai	+94 67 222 6860	+94 67 222 6865
Kalutara	1st Floor, No. 443, 443/1, Galle Road, Kalutara	+94 34 222 7101	+94 34 222 7106
Kekirawa	No. 55, Main Road, Kekirawa	+94 25 226 3234	+94 25 226 3239
Kilinochchi	Opposite Commercial Bank, Kandy Road, Kilinochchi	+94 21 228 3720	+94 21 228 3725
Kohuwala	No. 210, Dutugemunu Street, Kohuwala	+94 11 289 0800	+94 11 289 0805
Mahiyanganaya	No.109/1, Padiyathalawa Road, Mahiyanganaya	+94 55 225 8280	+94 55 225 8285
Maradana	No. 92, Deans Road, Colombo 10	+94 11 268 3600	+94 11 268 3222
Minuwangoda	No. 12, Weyangoda Road, Minuwangoda	+94 11 229 5177	+94 11 229 5189
Mirigama	No. 71, Negombo Road, Mirigama	+94 33 227 6868	+94 33 227 6911
Monaragala	No. 112, Wellawaya Road, Monaragala	+94 55 205 5421	+94 55 205 5426
Moratuwa	No. 18, New Galle Road, Moratuwa	+94 11 264 4249	+94 11 264 4254
Nelliady	No. 58/1, Point Pedro Road, Nelliady	+94 21 226 1430	+94 21 226 1435
Nikaweratiya	No. 245/A, Puttalam Road, Nikaweratiya	+94 37 226 0117	+94 37 226 0217
Pilimathalawa	No. 96/07, Colombo Road, Pilimathalawa	+94 81 257 9622	+94 81 257 9623
Ragama	No. 46B, Kadawatha Road, Ragama	+94 11 295 3992	+94 11 295 3993
Rambukkana	Nos. 63 and 67, Mawanella Road, Rambukkana	+94 35 226 6650	+94 35 226 4655
Seeduwa	No. 394, Negombo Road, Seeduwa	+94 11 225 1863	+94 11 225 1869
Tangalle	No. 35, Sea Road, Tangalle	+94 47 224 1902	+94 47 224 1907
Tissamaharamaya	No. 60, Palliyawatta Road, Thissamaharamaya	+94 47 223 9925	+94 47 223 9930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee	+94 26 222 5115	+94 26 222 5119
Warakapola	No. 211C, Colombo Road, Warakapola	+94 35 226 7020	+94 35 226 7022
Wariyapola	No. 141, Kurunegala Road, Wariyapola	+94 37 226 8880	+94 37 226 8885
Wellawatta	Nos. 55, 55A, 55B, Manning Place, Wellawatta	+94 11 236 3634	+94 11 236 3680
Wellawaya	No. 72, Ella Road, Wellawaya	+94 55 227 4194	+94 55 227 4198

GRI Content Index

GRI standard	Disclosure	Page number(s) and/or URL(s)
General disclosures		
GRI 102:	General Disclosures	
102-1	Name of the organisation	04
102-2	Activities, brands, products, and services	45-46
102-3	Location of headquarters	Inner back cover
102-4	Location of operations	Inner back cover
102-5	Ownership and legal form	Inner back cover
102-6	Markets served	43
102-7	Scale of the organisation	06-07
102-8	Information on employees and other workers	50-56
102-9	Supply chain	41
102-10	Significant changes to the organisation and its supply chain	41
102-11	Precautionary principle or approach	98-109
102-14	Statement from senior decision-maker	8-9
102-16	Values, principles, standards, and norms of behaviour	40
102-18	Governance structure	74
102-40	List of stakeholder groups	24
102-42	Identifying and selecting stakeholders	24
102-43	Approach to stakeholder engagement	25-27
102-44	Key topics and concerns raised	25-27
102-45	Entities included in the Consolidated Financial Statements	02
102-46	Defining report content and topic boundaries	02
102-47	List of material topics	28
102-48	Restatements of information	No restatements
102-49	Changes in reporting	02
102-50	Reporting period	02
102-51	Date of most recent report	02
102-52	Reporting cycle	02
102-53	Contact point for questions regarding the report	02
102-54	Claims of reporting in accordance with the GRI Standards	02
102-55	GRI content index	245-247
102-56	External assurance	No external assurance obtained

GRI standard	Disclosure	Page number(s) and/or URL(s)
Material topics		
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	32
103-2	The management approach and its components	32
GRI 201: Economic performance		
201-1	Direct economic value generated and distributed	32
201-3	Defined benefit plan obligations and other retirement plans	140,152
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	51
103-2	The management approach and its components	51
GRI 202: Market presence		
202-2	Proportion of senior management hired from the local community	51
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	98
103-2	The management approach and its components	98
GRI 205: Anti-corruption		
205-1	Operations assessed for risks related to corruption	107
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	58
103-2	The management approach and its components	58
GRI 307: Environmental compliance		
307-1	Non-compliance with environmental laws and regulations	58
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	50
103-2	The management approach and its components	50
GRI 401: Employment		
401-1	New employee hires and employee turnover	52
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	55
401-3	Parental leave	55
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	55
103-2	The management approach and its components	55
GRI 403: Occupational health and safety		
403-1	Workers representation in formal joint management – worker health and safety committees	55

GRI standard	Disclosure	Page number(s) and/or URL(s)
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	52
103-2	The management approach and its components	52
GRI 404: Training and education		
404-1	Average hours of training per year per employee	52-54
404-2	Programmes for upgrading employee skills and transition assistance programmes	53-54
404-3	Percentage of employees receiving regular performance and career development reviews	55
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	50
103-2	The management approach and its components	50
GRI 405: Diversity and equal opportunity		
405-1	Diversity of governance bodies and employees	51
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	58
103-2	The management approach and its components	58
GRI 413: Local communities		
413-1	Operations with local community engagement, impact assessments, and development programmes	58-59
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	48
103-2	The management approach and its components	48
GRI 416: Customer health and safety		
416-1	Assessment of the health and safety impacts of product and service categories	48
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	48
103-2	The management approach and its components	48
GRI 418: Customer privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	48
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	58
103-2	The management approach and its components	58
GRI 419: Socio-economic compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	58

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of Senkadagala Finance PLC will be held at the Registered Office of the Company, 2nd Floor, No. 267, Galle Road, Colombo 3, on 31 July 2019 at 11.00am for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31 March 2019 with the Annual Report of the Board of Directors and Auditors' Report thereon.
2. To declare a final dividend of LKR 25,366,271.35 (LKR 0.35 per share) to the shareholders of the Company as recommended by the Board of Directors.
3. To reappoint the Auditors, Messrs KPMG, Chartered Accountants as the Company's Auditors for the financial year 2019/20 and authorise the Board of Directors to determine their remuneration.
4. To authorise the Board of Directors to determine donations for the year 2019/20.

By Order of the Board,
Senkadagala Finance PLC

Sgd.
Mrs C Salgado
Managers and Secretaries (Private) Limited
Secretaries

Colombo,
Sri Lanka

19 June 2019

Form of Proxy

I/We, the undersigned ....

of.. being a member/members* of Senkadagala Finance PLC hereby appoint –

Mr L Balasuriya of Colombo or failing him*
Dr A Balasuriya of Kandy or failing him*
Dr M Balasuriya of Colombo or failing him*
Ms L Fernando of Colombo or failing her*
Mr W A T Fernando of Colombo or failing him*
Mr S D Bandaranayake of Colombo or failing him*
Mr D T P Collure of Colombo or failing him*
Mr W M R S Dias of Colombo or failing him*
Mr Senanayakege R Pushpakumara of Colombo or failing him*

Mr/Ms/Dr.. of
.... as
my/our* proxy to attend and vote at the 50th Annual General Meeting of Senkadagala Finance PLC to be held at the Registered Office of the Company, 2nd Floor, No. 267, Galle Road, Colombo 3 on 31 July 2019 at 11.00am and at any adjournment thereof.

		For	Against
1.	To receive and consider the Statement of Accounts for the year ended 31 March 2019 with the Annual Report of the Board of Directors and Auditors' Report thereon.		
2.	To declare a final dividend of LKR 25,366,271.35 (LKR 0.35 per share) to the shareholders of the Company as recommended by the Board of Directors.		
3.	To reappoint the Auditors, Messrs KPMG, Chartered Accountants as the Company's Auditors for the financial year 2019/20 and authorise the Board of Directors to determine their remuneration.		
4.	To authorise the Board of Directors to determine donations for the year 2019/20.		

Signed on this...day of...2019.

....
Signature

....
NIC/PP/Co. Reg. No.

Note

**Please delete the inappropriate words.*

(Instructions on completing the Form of Proxy are set out on the reverse.)

Instructions for completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. Please indicate clearly how your proxy should vote on the Resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a company/corporation, the proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company at Senkadagala Finance PLC, 2nd Floor, 267, Galle Road, Colombo 3, 48 hours before the time appointed for the Meeting.

Corporate Information

Name of Company
Senkadagala Finance PLC

Date of Incorporation
29 December 1968

Legal Status

- Listed public limited liability company incorporated on 29 December 1968. The Company re-registered under the Companies Act No. 07 of 2007.
- Approved and registered under the Finance Business Act No. 42 of 2011.
- Approved and registered under the Finance Leasing Act No. 56 of 2000.

Company Registration Number
PB 238 PQ

Taxpayer Identification Number (TIN):
104028349

Registered Office
2nd Floor, 267, Galle Road
Colombo 3
Sri Lanka
Phone: +94 11 230 1301
Fax: +94 11 230 1937
SWIFT code: SENFLKLX
Email: info@senfin.com
Website: www.senfin.com

Stock Exchange Listing

- 72,475,061 ordinary shares of the Company are listed in the *"Diri Savi"* Board of the Colombo Stock Exchange with effect from 22 March 2011
- 1,895,200 Senior, unsecured, listed, redeemable, rated Debentures of LKR 100 each – November 2016 to November 2019 with fixed and floating rate interest payments
- 24,132,100 Senior, unsecured, listed, redeemable, rated Debentures of LKR 100 each – November 2016 to November 2020 with fixed and floating rate interest payments are listed in the main Board of the Colombo Stock Exchange

Credit Rating
Fitch Ratings Lanka affirmed BBB+(lka) with a stable outlook, in July 2018

Board of Directors
Mr W M R S Dias
FCIBC (Lon), LLB
Hubert H Humphrey Fellow
Chairman

Dr P Ramanujam
BSc (Hons), MSc, PhD in Economics
Independent Non-Executive Director
(Retired w.e.f. 12 December 2018)

Mr L Balasuriya
BSc (Lon), MSc (Lancaster)
Managing Director/CEO

Dr A Balasuriya
BSc (Lon), PhD (Lon)
Executive Director

Dr M Balasuriya
BVSc
Executive Director

Ms L Fernando
BSc (Hons)
Executive Director

Mr W A T Fernando
FCMA (UK), MA (Colombo)
Independent Non-Executive Director

Mr S D Bandaranayake
BSc (University of Sri Lanka)
Executive Director –
Additional CEO

Mr D T P Collure
BSc (Colombo), MPA (USJ)
Independent Non-Executive Director

Mr Senanayakege R Pushpakumara
FCA, BCom (Special) (USJ), PG Dip (B Mgt)
Independent Non-Executive Director

Secretaries
Managers and Secretaries (Pvt) Ltd.
8, Tickell Road, Colombo 8

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3

Legal Consultants
Nithya Partners
Attorneys-at-Law
97/A, Galle Road, Colombo 3

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd.
839/2, Peradeniya Road, Kandy

Bankers
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
National Development Bank PLC
Sampath Bank PLC

GSARN©
www.gsarn.org

Global Standard Annual Report Number©
LKA8773SFXXX0180190E105

★

This Annual Report is Carbon Neutral

Produced by Smart Media (Pvt) Limited, a carbon neutral company that offsets its direct and indirect GHG emissions through verified sources.

SMART MEDIA
The ANNUAL REPORT Company
www.SmartAnnualReport.com

PARTNER Carbonfree® Carbonfund.org
www.carbonfund.org

SENKADAGALA FINANCE PLC

2nd Floor, No. 267, Galle Road
Colombo 3, Sri Lanka
Phone: +94 11 230 1301 | Fax: +94 11 230 1937
Email: info@senfin.com
www.senfin.com