SENKADAGALA FINANCE PLC

Annual Report 2020/21

TOGETHER FOR TOMORROW

Ohiya, Badulla – a place of staggering beauty where a holistic nurturing of all elements that feeds all living forms runs strong. | ***Photography by Saman Wijesooriya***

TOGETHER FOR TOMORROW

The very nature of our enterprise means that we remain closely linked with our customers as a trusted financial solutions provider. We share a loyalty that has stood the test of time, through challenge and opportunity. Senkadagala Finance is committed to maintain this invaluable link into the future, come rain or shine. We WILL remain...together for tomorrow.

Sri Lanka features lush biodiversity, where the land's rich nutrients give vital growth and support to the uncountable life forms that benefit from it, enabling them to sustain and grow for years to come.

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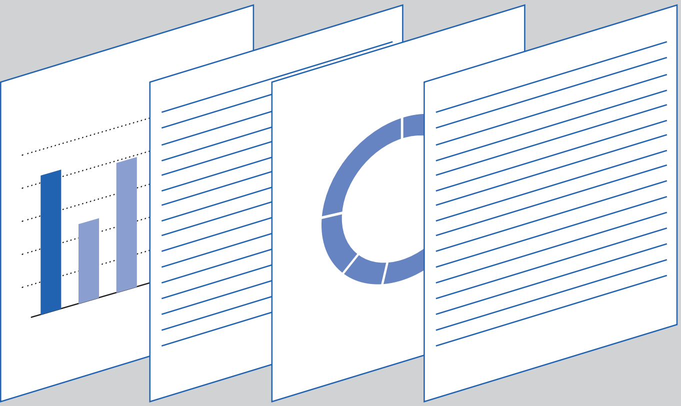
ABOUT THIS REPORT



This is our fifth Integrated Report, which has been structured to present a comprehensive and balanced assessment of our value-creating ability in the short, medium, and long-term in a concise manner. The Report provides details of our financial, social, and environmental impacts resulting from our value-creating activities. In this Report, we strive to demonstrate the manner in which we balance the competing needs of our stakeholders by managing our business and sustainability considerations in an integrated manner.

Report Boundary

The Report focuses on the operations of the parent company, Senkadagala Finance PLC (SFPLC), and its subsidiaries Senkadagala Insurance Brokers (Pvt) Ltd. and Senfin Asset Management (Pvt) Ltd. (previously known as Candor Asset Management (Pvt) Ltd.). The operations of all these companies are confined to Sri Lanka.

Reporting Frameworks

We have drawn on the concepts and principles mentioned in the following guides in preparation of this report:

- 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

Compliance

This Report covers the period 1 April 2020 to 31 March 2021, which coincides with our financial reporting cycle.

We follow an annual reporting cycle for financial and sustainability reporting while reporting on sustainability aspects in accordance with the GRI Standards. We also operate in accordance with all other applicable laws, rules, regulations, directions, and standards while abiding by guidelines for voluntary disclosures, both in letter and in spirit.

Queries

We welcome your comments and queries on this Report and we invite you to direct them to:

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

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

Founded in Kandy in the year 1968, Senkadagala Finance PLC has risen steadily to become one of Sri Lanka's largest licensed finance companies, with over half a century of experience, expertise and operating excellence.

While finance leases, commercial loans and acceptance of deposits in the form of fixed deposits, certificates of deposit, and savings deposits remain the Company's primary lines of business, it has also diversified to providing pawn brokering and foreign currency exchange services to its customer base. The Company initiated an insurance brokering business in 2013, Senkadagala Insurance Brokers (Pvt) Ltd., further adding strength to its market segment and contributing notably to the bottom line of the Group. In March 2020, Candor Asset Management (Pvt) Ltd., (now known as Senfin Asset Management (Pvt) Ltd.) a registered unit trust management company, was acquired by Senkadagala Finance, adding asset management to the portfolio of products offered by the Group.

Steadily expanding its reach has been key to the Company's growth and success, with Senkadagala Finance opening its 100th branch in March 2019. With expansion activities taking a vigorous turn in the recent past, Senkadagala Finance PLC now boasts fifty-nine (59) branches and forty-one (41) service centres in dispersed locations in the country.

The Company was listed on the Diri Savi Board of the Colombo Stock Exchange in March of 2011, and holds an affirmed rating of BBB+ (lka) by Fitch Ratings Lanka Ltd. The Company's long operating history, excellent track record of performance, healthy asset quality, strong capital base, and improved credit control systems were noted in the citation issued by the ratings company.

The registered office of Senkadagala Finance PLC is situated at 2nd Floor, No. 267, Galle Road, Colombo 3, Sri Lanka.

OUR GROUP STRUCTURE

Parent Company

Senkadagala Finance PLC

Subsidiary

SENKADAGALA
INSURANCE BROKERS (PVT) LTD

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 Ms L Fernando Mr S D Bandaranayake Mr W A T Fernando

Subsidiary

Senfin Asset Management (Pvt) Ltd.

Relationship	:	Subsidiary
Holding	:	100%
Date of incorporation	:	15 December 2010
Joined the Group on	:	4 March 2020
Principal line of business	:	Float, Operate and Manage Unit Trusts
Registered address	:	267, Galle Road, Colombo 3
Board of Directors	:	Dr P Ramanujam Mr D R Abeysuriya Mr S Balasuriya Mr D T P Collure Mr S K Balasuriya

HIGHLIGHTS OF THE YEAR

	2021	2020	Change (%)
Financial Results of the Year (LKR Mn.)			
Gross Income	6,342	6,755	(6.11)
Interest income	5,979	6,534	(8.50)
Net interest income	2,763	2,852	(3.12)
Profit before taxes on financial services	949	722	31.36
Profit before income tax	707	529	33.78
Profit for the year	555	228	143.49
Dividends paid	–	69	(100.00)
Earnings retained during the year	548	147	273.80
Financial Position (LKR Mn.)			
Loans and advances	27,562	27,233	1.21
Total assets	37,903	34,395	10.20
Deposit base	11,546	11,223	2.89
Borrowings	16,936	11,689	44.88
Debentures	1,768	4,320	(59.06)
Shareholders' funds	5,959	5,410	10.15
Operational Results of the Year (LKR Mn.)			
New advances disbursed	11,167	11,663	(4.25)
Net flow of deposits	324	1,214	(73.31)
Borrowings obtained	14,453	1,000	1,345.33
Capital expenditure incurred	136	206	(33.74)
Debentures Issued	–	1,750	(100.00)
Information per Ordinary Share (LKR)			
Earnings per share	7.65	3.14	143.49
Dividends per share	–	0.95	(100.00)
Net assets per share	82.23	74.65	10.15

	2021	2020	Change (%)
Key Performance Indicators			
Return on average total assets (%)	1.53	0.64	0.89
Return on average shareholders' funds (%)	9.76	4.26	5.50
Net interest margin (%)	8.44	8.82	(0.38)
Gross non-performing assets ratio (%)	6.47	7.03	(0.56)
Interest cost to interest earned ratio (%)	53.78	56.35	(2.57)
Interest cover (times)	1.17	1.06	10.38
Equity to assets ratio (%)	15.72	15.73	(0.01)
Debt to equity ratio (times)	3.14	2.96	6.08
Price earning ratio (times)	12.03	29.30	(58.95)
Dividends yield (%)	–	1.03	(100.00)
Statutory Regulated Ratios			
Core capital ratio (%)	16.69	15.48	1.21
– Minimum statutory requirement 6.5%			
Total capital ratio (%)	21.66	21.54	0.12
– Minimum statutory requirement 10.5%			
Non-financial indicators			
Branches	59	59	–
Service centres	41	41	–
Staff strength	807	797	1.25
Customers served	76,669	70,688	8.46
Rating			
Fitch Ratings Lanka Ltd.	BBB+ (lka)	BBB+ (lka)	

CHAIRMAN'S MESSAGE

"Despite the economic challenges brought on by the pandemic, Senkadagala Finance PLC performed strongly, recording a growth of 143% in Profit After Tax."

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of Senkadagala Finance PLC for the year ended 31 March 2021.

It is no secret that this past year was unprecedented, with the global COVID-19 pandemic affecting all facets of life, and world economies taking a beating. The repercussions on the Sri Lankan economy were severe which continue to be felt as of the time of writing this message. Despite the economic challenges brought on by the pandemic, Senkadagala Finance PLC performed strongly, recording a growth of 143% in Profit After Tax to reach LKR 555 Mn. Higher levels of liquidity were maintained, and capital ratios were well above the regulatory requirement.

Macroeconomic landscape and our performance

The financial sector showed modest growth following a slowdown in 2019, mainly due to progress exhibited by the banking sector despite the challenging domestic and global market conditions brought on by the COVID-19 pandemic. But banking and NBFI sector operations faced prolonged pressure as a result of deterioration in credit quality, sovereign rating downgrades, and reduced foreign inflows due to the pandemic. The performance of NBFIs, in particular, deteriorated in the past year, with the sector witnessing negative credit growth, declining profitability, and an increase in NPL. It was amidst this environment that Senkadagala Finance recorded its growth, proving to be an institution whose pragmatic vision and practical knowledge ensured that it has the resilience to weather difficult conditions. Additionally, the Company successfully concluded a rights issue of LKR 362.4 Mn. in April 2021 – a testament to the trust vested in the Company and the management.

Sustainability

Well aware of the larger responsibility it carries not only towards its stakeholders but to the communities in which it operates, Senkadagala Finance always considers the impact of the businesses it finances on the environment and the society. With the affiliation of foreign investors like IFC and FMO, positive objectives on social and environmental welfare are bound to be extended by the Company through its customers and business relations. The Company also helps promote sustainable business practices in its customers through continuous monitoring and engagement. Such sustainability initiatives have helped the Company improve its financial performance as well, enabling it to build, maintain, and improve its reputation while meeting customer expectations and looking towards tomorrow in developing new growth opportunities.

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Risk management

In order to ensure greater market share and higher profitability, effective risk management and auditing functions are very important, as they create value and sustainable growth. In looking to our future and keeping tomorrow secure for us and our stakeholders, we bring decades of experience to bear in aiming to ensure rapid growth of business activities to ensure greater market share and higher profitability while mitigating attendant risk factors. A range of controls and processes are in place to ensure our risk is managed effectively. A top-down approach to risk management and overall attention to risk identification has enabled the Company to achieve this, with an efficient audit function helping keep all objectives in check.

In these functions, the Board Integrated Risk Management Committee and the Board Audit Committee play a pivotal role. Meetings held periodically enable constructive discussions of emerging risks for the industry and for the Company at Board of Directors level, and have an inclusive, holistic approach towards risk management.

Managing the lockdown

The need for strong risk management is no more evident than in dealing with unforeseen events such as the outbreak of the COVID-19 pandemic. The key management goals during the prolonged lockdown period were ensuring the health and safety of all our stakeholders, staff included and maintaining healthy liquidity levels. The Company experienced a drop in asset quality during the lockdown, even though this was in line with the industry-wide decline. The Management took steps to strengthen certain policies and procedures in order to mitigate the damage, such as strengthening the credit appraisal processes. The Company also managed to maintain higher than required capital ratios in line with the improved regulatory capital requirements of the Central Bank of Sri Lanka. The rights issue that was successfully concluded in April 2021 is expected to increase the capital ratio further, bolstering the Company's capacity to withstand turbulent economic conditions.

Outlook

A new normal was adopted following the outbreak of the pandemic a little over a year ago, with the post-COVID operating environment being a challenging one for most businesses. Senkadagala Finance was no different. Global growth prospects have improved, and the recent analytical outlook remains positive following the rapid rollout of vaccines in a few of the large economies along with extraordinary policy support from governments. The global economy is projected to expand at 6% in 2021, following a sharp contraction of 3.3% in 2020. However, the pandemic is far from over, tainting recovery forecasts with a dose of uncertainty, even as some countries begin reopening their economies.

In the local context, the tourism industry remains one of the hardest hit. International travel restrictions, as well as a broad decline in global travel battered the industry for most of last year, and the rise of the virulent third wave has dimmed prospects of a swift recovery. The GDP contracted by -3.6% in 2020, with restrictions on mobility imposed to curtail the spread of COVID-19 hampering real economic activity across all sectors. Strict restrictions continue in place on imports, including motor vehicles, affecting not only the supply of unregistered vehicles, but also the prices of registered vehicles in the market. Finance companies are taking higher risks with these prices. Moratoria that have been in place since March 2020 for pandemic-affected industries like tourism are expected to be extended at least until the surge in the third wave of COVID-19 is behind us.

Low interest rates prevailed throughout the year, creating a conducive environment for loan growth. However, unless general economic activity and business turnaround take place, along with an improvement in consumption levels, the prospects of a low interest framework triggering an overall economic resurgence remains blurred.

Appreciations and acknowledgements

In closing, I would like to extend my thanks to the Board of Directors for their wise counsel and patient advice, especially in the face of the unprecedented crisis that was the COVID-19 pandemic. My heartfelt thanks also go to the entire management team and staff for their commitment and drive in maintaining close links with our customers and stakeholders. I would like to make a special mention of the CEO, Mr Lakshman Balasuriya and Additional CEO, Mr Sanath Bandaranayake, for their unwavering support and prudent, practical guidance.

Mr Tilak Collure, who served the Board as an Independent, Non-Executive Director, retired on reaching the age limit stipulated by the regulations of the Central Bank. On behalf of the Board of Directors I thank him for his dedicated service and wisdom in directing the Board and the Company during his time of service.

With great sadness we mourn the passing of Dr Mahendra Balasuriya, who served the Board for over 35 years as an Executive Director. We convey our sympathies to his family, remembering and acknowledging the service he offered to the Board and the Company during his tenure.

We also warmly welcome Dr (Ms) Roshan Perera, who joined the Board mid-year as a Non-Executive, independent Director. Her experience in formulating and implementing monetary and fiscal policy is invaluable, and we look forward to collaborating closely with her in taking the Company into the future.

Our investors and depositors are gratefully remembered for their continued trust vested in the Company during a time of great challenge and difficulty. We also offer our thanks to the NBFI Department of the Central Bank of Sri Lanka for their guidance, and offer thanks to all other stakeholders for their continued trust in the Company.

As we move into the future with resolve to deliver increased value to all our stakeholders, we remain true to the values and ethos that have brought us this far. We have a sustainable business and a dedicated staff who have served us with unshakeable loyalty, and we are committed to further strengthening our bonds with our customers. Despite the global pandemic that continues to wreak havoc to world economic growth and halt the progress of everyday life, we face tomorrow with a sense of courage and determination.

W M R S Dias
Chairman

5 July 2021

MANAGING DIRECTOR/ CEO'S REVIEW

"The Company performed well compared to most of its peers, demonstrating its ability to create value sustainably, even during challenging times, and bolstering our position as a respected institution within the sector."

The COVID-19 pandemic hit Sri Lanka with full force in March 2020, at the tail end of the previous financial year. As the country, and most of the world, went into various forms of lockdown, we at Senkadagala Finance took on the challenge of navigating an aftermath that none of us had foreseen. As the Company altered its working approach, enhanced its cybersecurity due to an increased work from home culture, and took measures to further mitigate damages caused by the pandemic, its core operations remained steadfast. We continued to maintain our strong relationships with customers through fresh lines of communication, and I am confident that our resilience and timeliness will see us persist through these uncertain times.

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Key performance results

The performance of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector deteriorated during the past year, with negative credit growth and high NPLs. By end December 2020, total assets of the sector represented 5.9% of Sri Lanka's financial system, at LKR 1,401.6 Bn. Business activities continued to contract due to the COVID-19 lockdowns and the curtailment of vehicle imports, with lending in the sector slowing down considerably. Credit provided by the LFCs and SLCs sector contracted by 5.7%, or LKR 62.9 Bn., compared with the 3% drop recorded in the previous year. The drop brought the total credit provided to LKR 1,039.9 Bn. Net income of the sector during the last fiscal year stood at LKR 111.2 Bn., a decline of 5.3% compared with 2019. This was mainly due to the decline in economic activities with the onset of the COVID-19 pandemic, resulting in the reduction of both interest income and interest expenses.

The pandemic and the resulting economic slowdown also took its toll on the sector's gross NPL ratio, which increased to 13.9% by end December 2020, reflecting a severe deterioration in the asset quality of the sector. The net NPL ratio also increased to 4.2% by the end of 2020 from 3.4% recorded at December 2019.

The struggles of the sector as a whole provide context for the performance of Senkadagala Finance during the year under review. The Company performed well compared to most of its peers, demonstrating its ability to create value sustainably, even during challenging times, and bolstering our position as a respected institution within the sector. The Company recorded LKR 37.9 Bn. in assets, an increase of 10% from LKR 34.4 Bn. recorded in the previous year. However, due to muted loan growth experienced throughout the year, the growth in loans and advances was just 1.2% compared to the previous year. A growth of 33.8% was recorded in Profit Before Tax, reaching LKR 707 Mn. compared with LKR 529 Mn. the year before, largely achieved through a reduction in operational expenses.

Due to the turbulent economic conditions and uncertainty in the industry, the Company consciously maintained higher levels of liquidity throughout the year. But the low interest regime continued to prevail, and meticulous funding management enabled the Company to record a net interest margin of 8.44%, compared to 8.82% in 2020.

The Company recorded a gross NPL of 6.47%, lower than the 7.03% recorded the previous year. In comparison to the sector gross NPL ratio of 13.9% as of 31 December 2020, the Company's efforts are a commendable achievement, reflecting several hallmarks of our business model: a customer base with a prudent risk profile, a conservative yet profitable product portfolio, and an effective credit appraisal and post-sanction monitoring process.

Both core capital ratio and total capital ratio were well above the regulatory requirement at 16.69% and 21.66%, respectively, with the Management concluding a rights issue in April 2021 that raised LKR 362 Mn., which will further augment the capital ratios.

In December 2019, the Company entered into a loan agreement with FMO for a green loan facility of USD 25 Mn., the largest foreign currency loan obtained by the Company. Despite the ongoing turbulent economic conditions, the Company managed to drawdown the loan in June 2020. The green loan portfolio of the Company is expected to receive a welcome boost through this facility, enabling us to tap into a lucrative customer segment.

The impact of COVID-19

In early March of last year, the outbreak hit Sri Lanka, and from 14 March 2020, the country was in full lockdown for several months. This required us to shift our approach to our operations altogether – and do so swiftly. Employees were confined to their homes and we were required to adapt to a new normal – a work from home routine that seemed radically different from our normal working day. Having established and updated our ICT-driven systems and operations, we were able to make the changeover relatively easily. However, the high capacity required for us to accommodate all staff to work remotely, along with associated cybersecurity concerns, slightly hampered the possibility of operating at true full capacity. Even after the restrictions were eventually eased, operations were compelled to run with minimal staff on site due to the high-risk nature of the continuing pandemic. Despite these major shifts in operational procedure, I am pleased to report that all key functions of the Company operated with minimum disruption.

The Company also took the initiative to develop and set up new lines of communication with its customers to ensure business continuity. An Internet Payment Gateway (IPG) had been set up in early 2019, which became a valued resource during lockdown to facilitate customer repayments and other monetary engagements. On the direction of the Central Bank, the Company extended debt moratoria, payment holidays, and other concessions to qualifying customers throughout the year. This move had a notable impact on the cash flow and profitability of the Company.

During the COVID-19 lockdown period, there were many requests for the moratorium. As our primary customer segment is Small and Medium Scale Enterprise customers, we sanctioned many of the requests received. However, in the post-lockdown environment, many of the customers who requested concessions opted to continue with their loan commitments as per the normal process, which minimised the impact on profitability and cash flow.

With COVID-19 cases on the rise due to a sweeping third wave of the virus, the pandemic continues to affect the country's businesses and economic activity, and is likely to continue to do so going forward. The Management is closely monitoring all developments, and working to act proactively to mitigate any potential effects it would have on the Company.

Outlook

Looking forward into tomorrow, the Company is planning to beef up cybersecurity, bringing forward new business strategies and targeting new customer bases. Under the present economic climate, muted credit demand is expected to adversely affect loan growth, but with the low interest rate regime prevailing, the demand for credit is expected to see a boost no sooner the virus is brought under control. Tight vigilance is being maintained in this regard, with the Management maintaining strengthened credit appraisal procedures to ensure sustainable growth in the loan book.

New customer segments are being targeted to diversify risks and withstand the current economic turbulence, even as fresh marketing strategies are being brainstormed and put into action. New technological advancements will also be put in place to better accommodate social distancing practices in the day-to-day operations of the Company. Cybersecurity is an area that we pay a lot of attention to, with such measures continuously being enhanced to strengthen system security as the need to safeguard customer information and confidence is paramount. This will also keep business activities secure in the event of multiple lockdowns as the virus continues to mutate.

We are also confident of our skilled workforce and of the Company's resilience in the face of this extraordinary challenge. We have the necessary resources to withstand the impacts arising from this crisis, as currently foreseen. Through effective risk management practices, the Company will continue to monitor the impact of COVID-19 on its business operations and stakeholders. Proactive measures are being adopted in this time of volatility to ensure business continuity and minimise losses.

Valued partnerships

The Company's first loan agreement with the FMO, a borrowing of USD 25 Mn., is to be used to finance its green portfolio, and provide loans to women and women-owned enterprises. The ability to draw funds through such foreign lines is a valued opportunity for the Company, especially at a time when local credit lines are scarce. The Company also continues its strong relationships with the local banking institutions, other investors, and loyal depositors who continued to invest in the Company despite the current turbulent economic conditions. The Management is committed to upholding the trust vested in the Company in the years ahead as well.

Appreciation

In conclusion, I would like to thank the Chairman and the Additional CEO for their continued support and guidance. The valued cooperation afforded to me by members of the Board is a source of great strength and inspiration. My thanks also go to the Senior Management of the Company for their dedicated service and unflagging drive. In particular, I wish to appreciate the contributions of those who have served the Company for a long period of time.

I extend my deepest gratitude to all the staff for their steadfast service and continued support, especially during these turbulent times. They performed admirably under the most difficult conditions, and represented the Company with pride and integrity. We look forward to affirming the continued trust placed by our shareholders, customers, and wider stakeholders in the Board and the Company, and we approach the future with resilience and resolve.

Lakshman Balasuriya
Managing Director/CEO

5 July 2021

Kuda Duwili Ella in the Knuckles Mountain Range – where the essentials of life all combine to bring fertility and richness to the land surrounding it. | *Photography by Naleen Wijesinghe*

BUSINESS MODEL

18 OUR BUSINESS MODEL
20 OPERATING ENVIRONMENT

Our Business Model

From stakeholders

Inputs

Financial capital
- LKR 5,959 Mn. in shareholders' funds
- LKR 16,936 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 practices
- Business collaborations and alliances
- Remote access facilities to ensure business continuity

Activities*

Operating

Vision

Governance framework
- CBSL directions and guidelines
- CSE Listing Rules
- Compliance mindset
- Whistle-blowing policy
- Code of Best Practice of CA Sri Lanka

Risk management Framework
- CBSL directions and guidelines
- Risk management policy
- Emerging risks
- Diversification

Business

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
- 807 passionate employees

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.

To stakeholders

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

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 11,546 Mn. in customer deposits
- Findings from customer satisfaction survey

Employee capital
- 807 employees with a cumulative service of 4,484 years
- Competencies
- Findings from employee satisfaction survey and exit interviews

Social and environmental capital
- Land, water, energy, paper

Environment

Mission

Units

Maturity transformation

Network of delivery channels
- 59 branches
- 41 service centres
- Website
- Mobile App
- 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
- Prudent business expansion

Funding and liquidity management
- CBSL directions and guidelines
- Internal funding and liquidity targets
- Current and perceived interest rates
- Contingency funding arrangements
- Funding mix optimisation

Services

Domain

Please refer Our Story in 2020/21 for a detailed discussion of the activities undertaken during the year on pages 25 to 51.

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
- LKR 345,000 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 outlook

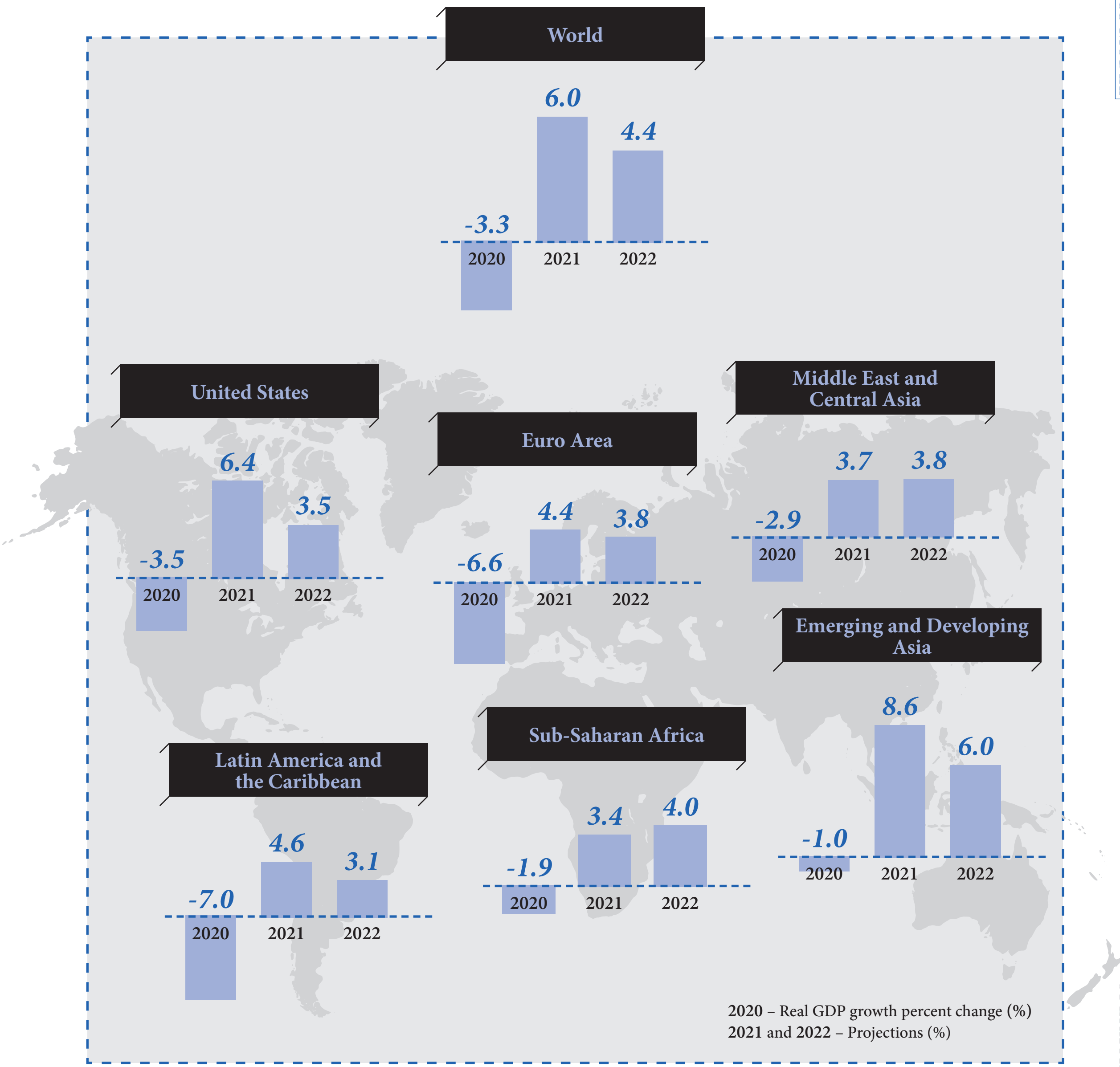
The global economic outlook improved in late 2020 after successful COVID-19 vaccine trials, creating a general sentiment of restlessness and impatience for activity to return to pre-pandemic levels. But instability brought on by fresh mutations of the virus and the uncertain speed of the vaccine delivery process has dampened sentiment and made the financial ecosystem highly volatile as of mid-2021. A little over a year into the COVID-19 pandemic that upended all facets of daily life, the IMF posited that the contraction of world economies was less than expected mainly due to extraordinary policy support by world governments. The IMF projection for 2021 remains optimistic. Following an estimated contraction of -3.3% in 2020, the global economy is projected to grow at 6% in 2021. It will moderate to 4.4% in 2022. Further, development will depend on how the pandemic is contained and how fast the global vaccination process stabilises the situation across the different regions and income sectors.

World crude oil prices have recovered from the COVID-19 slump, mainly due to continued production restraint by OPEC and its partners (OPEC+), and driven by firming demand. Crude prices are expected to average USD 56 per barrel in 2021, and USD 60 a barrel the following year. This projection comes as demand gradually returns to pre-pandemic levels and OPEC+ raises production. This outlook, however, depends on containment of the pandemic, and could be derailed by a prolonged pandemic and the breakdown of the OPEC+ agreement.

The US economic outlook also strengthened, with economists boosting GDP growth forecasts for 2021. This comes amidst robust consumer spending and an uptick in economic activity as a successful vaccination programme eases COVID-19 regulations. But inflation remains a major concern, with many analysts wondering if the recent price increases are permanent or transitory. Forecast panelists have projected the federal funds target rate to end 2021 at 0.25% and 0.29% in 2022.

Gold prices, which saw a steady increase in the past years, went up by an even larger margin than before. As of March 2020, gold traded at USD 1,615.5 per ounce, and peaked at just over USD 2,000 in August 2020 before coming down again towards the end of the year. By the end of the first quarter of 2021, the price of gold stood at USD 1,723.85, up by USD 108.35.

Growth projection by Region



Source: IMF, World Economic Outlook – April 2021

Sri Lanka

Following a prolonged period of economic stagnation prompted by the Easter Sunday attacks and political uncertainty in 2019, the uptick that was seen in the economy at the beginning of 2020 suggested a year of promise. This optimism took a downturn with the arrival of the pandemic. The economy contracted by -3.6% in real terms in 2020, owing mainly to restrictions and containment measures imposed both locally and globally in order to stem the virus.

The Government and the Central Bank took extraordinary policy measures, as in most global economies, in order to respond to the challenges faced by the country in 2020 – most notably the repeated resurgence of COVID-19 strains and the consequential vacillating public sentiment. Moving forward, the Central Bank expects the economy to rebound strongly in the medium term of 2021, reinforced by growth-oriented policy support, the predicted revival of economic activity, and the containment of inflation within the targeted bracket. However, since the publication of the latest Central Bank annual report in April 2021, the country has seen an unprecedented spike in COVID-19 cases that is proving to be a major stumbling block to day-to-day activity – business and otherwise. This has created a great deal of uncertainty to future projections, which are bound to change.

When looking at the Colombo Stock Exchange, the benchmark All Share Price Index (ASPI) recorded a 10.5% growth in 2020, ending the year at 6,774.22 points. This is the largest annual increase the ASPI has seen since 2014. The index hit a low point in May 2020 before bouncing back to end the year on a 59% gain. The market recorded a daily average turnover of LKR 1.9 Bn. The stock market's overall value, represented by market capitalisation, also improved, adding LKR 109 Bn. in 2020. Total turnover for the year stood at LKR 397 Bn., the highest since 2011.

The depreciation of the Sri Lankan rupee caused a contraction in the overall size of the economy to USD 80.7 Bn. in 2020. The figure stood at USD 84.0 Bn. in the previous year. According to the Central Bank, the depreciation of the rupee against the US dollar was contained at 2.6% in the last year.

The effects of the pandemic could be seen in the unemployment rate as well as the Labour Force Participation Rate (LFPR). Unemployment increased to 5.5% in 2020 from 4.8% in the previous year. Also, with mobility restrictions in place to halt the spread of COVID-19, the LFPR declined to 50.6% from 52.3% during the previous year.

A significant impact of COVID-19 could be seen on some sectors such as tourism, hotel and related leisure activities, construction, manufacturing, and certain service industries such as transportation. A significant reduction in the demand for energy could be seen following the lockdown in the second quarter of 2020, but this returned to pre-pandemic levels thereafter. A reduction in electricity generation and sales was also noted, mainly due to the lack of demand from the industrial and manufacturing sector.

Investment expenditure contracted in 2020, reflecting subdued investor sentiments. These coupled with the mobility restrictions and other containment measures imposed with a view to preventing the spread of COVID-19 in turn had a substantial impact on both the banking and NBFI sectors in terms of new business as well as collections/recovery of existing loans.

Sri Lanka had limited access to foreign financing in 2020 amidst unfavourable global financial market conditions and downgrades of Sri Lanka's rating by sovereign rating agencies.

The Central Bank implemented extremely accommodative monetary policy measures during 2020, through the reduction of the key policy interest rates to historic lows with a downward adjustment of 250 basis points in total, and the lowering of the Statutory Reserve Ratio (SRR) applicable on rupee deposit liabilities of Licensed Commercial Banks (LCBs) by a total of 300 basis points and the bank rate by 650 basis points.

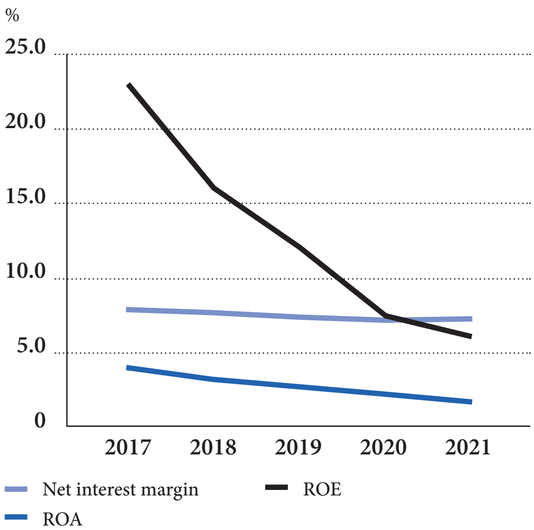
The banking sector

Sri Lanka's financial system remained stable in 2020 despite uncertainties and challenges posed by the COVID-19 pandemic. There was moderate growth in the banking sector, even though risks emerged due to challenges placed on the system by the pandemic. The main source of funding continued to be deposits. Despite the sharp drop in interest rates and the impacts of moratoriums, banking sector profits improved compared with the previous year due to prominent growth in non-interest income and decreases in interest as well as operating expenses. A LKR 2.1 Tn. increase was noted in the banking sector's asset base, recording a year-on-year growth of 17.1%, compared to 6.2% at the end of 2019.

Non-Bank Financial Institutions (NBFIs)

A deterioration in performance of Non-Bank Financial Institutions was seen in 2020. The sector's assets contracted by LKR 31.1 Bn. (2.2%), to LKR 1,401.6 Bn., compared to the 0.1% increase in 2019. Negative credit growth and high NPLs characterised this subsector, in addition to a lowering of consumer confidence and pandemic-related declines.

Profitability indicators of the LFCs and SLCs sector



Restrictions on vehicle imports also had a major impact on the leasing business, the primary business activity of a majority of NBFIs. The lack of brand new vehicles in the market saw a sharp increase in the demand for second-hand vehicles. This rise had a positive impact in that the defaulting of existing leases saw a decline – with lease payments being honoured effectively for the most part – but carried a high risk factor when granting new leases, as higher Loan to Value ratios had to be accommodated to be competitive in the market due to sharp price increases.

Pawning and gold loans was another area that saw a rapid rise due to a large number of people resorting to borrowing against the collateral of their jewellery and gold as the pandemic raged on and took a toll on their income.

However, the sector remained stable with healthy capital and liquidity levels, which were comfortably above minimum regulatory requirements.

The Central Bank also continued its support to the sector, introducing measures to maintain its stability and giving it a measure of regulatory support in order to help mitigate the COVID-19 challenge.

Peacock resting in Udawalawe Park – majestic and magnificent, this mighty symbol of Sri Lanka serves to inspire and awe every time. | ***Photography by Jude Abeyeratne***

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FINANCIAL CAPITAL

An overview of the year

The performance of the NBFIs sector deteriorated during the year mainly as a result of the COVID-19 pandemic related growth impediments and general economic downturn. Impaired consumer confidence due to issues of certain industry players also contributed towards the sluggish performance of the NBFI sector. However, despite the lackluster performance of the sector, the Company managed to record a growth in profit after tax to LKR 554.7 Mn. for the year, a YOY growth of 143% compared to LKR 227.8 Mn. reported for the year before.

Total assets grew by 10.2% over the year and stood at LKR 37.9 Bn. as at 31 March 2021. However, the loans and advances portfolio increased only by 1.2% by the year end, Net interest margin (NIM) decreased marginally from 8.8% in 2019/20 to 8.4% in 2020/21. The conscious decision to hold a higher-than-average liquidity position throughout the year to withstand any potential impact of the economic downturn together with the low market interest rates prevailed impacted the NIM.

Summary of performance for the year

Financial results	2021 LKR '000	2020 LKR '000
Total assets	**37,903,389**	34,394,526
Loans and advances	**27,562,085**	27,233,010
Customer Deposits	**11,546,422**	11,222,611
Total equity	**5,959,381**	5,410,306
Gross income	**6,342,156**	6,754,686
Profit before tax	**707,345**	528,729
Profit after tax	**554,745**	227,831

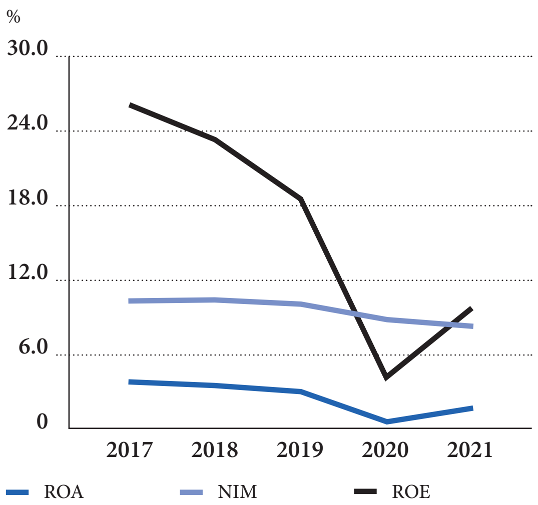
Financial performance in detail

Profitability

During the year the Company generated a profit before tax of LKR 707 Mn., a growth of 34% from LKR 529 Mn. of the previous year. Profit after tax also recorded a notable increase to LKR 555 Mn. as opposed to LKR 228 Mn. of the year before, mainly driven by improved operational efficiencies.

In line with the improved profits, both return on assets (ROA) and return on equity (ROE) increased to 1.53% and 9.76% respectively from 0.64% and 4.26% of the previous year.

Profitability indicators of the Company



Lackluster loan growth, deterioration in asset quality and low interest rate regime contributed to the drop in income experienced in the year, causing interest income to drop by LKR 555 Mn. However, with meticulous liquidity and fund management, the Company managed to limit the drop in net interest income to LKR 89 Mn. Improved operational efficiencies also helped to improve the profitability in the year under review.

The consolidated profits for the Group also depicted a similar trend. The Group post-tax profit improved to LKR 590 Mn., a growth of 134% from the previous year. The pre-tax profit of LKR 774 Mn. represented a growth of 32%. The contribution from the subsidiaries continued to be marginal compared to the profit of the Company.

Net interest income

As stated earlier, interest income experienced a drop of LKR 555 Mn. to LKR 5,979 Mn. for the year under review. Interest income from investments in fixed deposit however grew by 105%, which was earned on high levels of liquid assets held throughout the year. A notable drop in interest on overdue rentals of 57.6% was recorded, in view of the concessions granted to customers affected by the COVID-19 pandemic.

Interest expenses experienced a YoY drop of 12.7%, driven by the low interest rate regime that prevailed throughout the year coupled with meticulous funding management of the Company. Regardless of the 2.9% growth experienced in the customer deposit base, interest on deposits too dropped by 15.8% over the year. Interest expenses on subordinated liabilities and interest expense on lease liabilities negated the reducing trend, with LKR 225.5 Mn. and LKR 58.7 Mn. being charged respectively owing to the issuance of LKR 1.75 Bn. worth of subordinated debentures and the adoption of the SLFRS 16, "Leases" in the previous financial year.

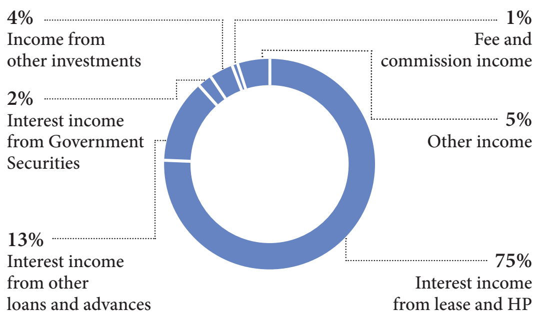
Consequent to the drop in interest income being less pronounced than the drop in interest expenses, the Company was able to maintain its net interest income at LKR 2,763 Mn. compared to LKR 2,852 Mn. the year before, with a YoY drop of 3.1% only. Net interest margin too declined marginally to 8.44% from 8.82% of the previous year.

Income

The gross income of the Company recorded a YoY drop of 6.11% to LKR 6,342 Mn. compared to LKR 6,755 Mn. of the previous year. The fund-based income remained the key contributing factor to the total income accounting for 94.2%. With the slowdown of new business during the year, the fee and commission-based income decreased by 32.8% to LKR 56.1 Mn. compared to LKR 83.6 Mn. of the year before.

With the performance of the equity market rebounded during the year, the Company recorded a profit of LKR 46 Mn. on equity trading compared to the loss of LKR 2.3 Mn. recorded the previous year. Mark to market of traded equity instruments too recorded a profit growth of LKR 82.7 Mn. as opposed to LKR 10.5 Mn. recorded the year before. Other operating income for the year recorded an increase of 38.6% owing primarily to the increase in dividends received mainly from the subsidiary companies.

Sources of income



OUR STORY IN 2020/21

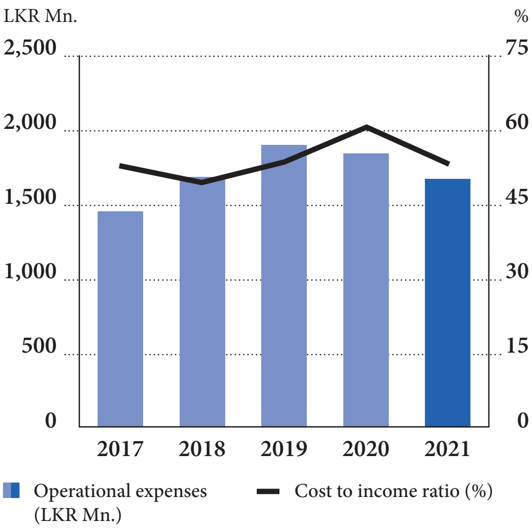
FINANCIAL CAPITAL

Expenses

The Management continued its efforts to contain the operational expenses of the Company in light of drop in activity levels with prolonged lockdowns imposed to curtail the spread of COVID-19 pandemic during the financial year. Staff cadre remaining unchanged and the drop in incentive payments due to modest loan growth decreased the personnel expenses by 8.3% YoY to LKR 614 Mn. Depreciation expenses too saw a drop of 5.6%, driven by the low capital expenditure owing to shelving the branch expansion strategy adopted in the recent past. With the toned-down operations during the year, other operating expenses dropped by 7.9% to LKR 629 Mn. year on year.

With fruitful measures taken to curtail costs, the cost to income ratio of the Company improved to 53.8% compared to 60.3% of the previous year.

Operational efficiency



Taxation

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 on taxes. However, various tax regulations brought in from time to time, affect the profitability of the Company.

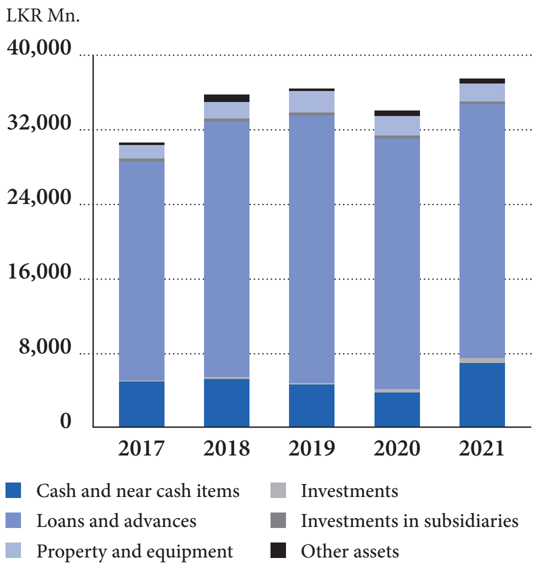
During the year, the Company recorded a tax charge of LKR 152.6 Mn. compared to LKR 300.9 Mn. of the previous year, a drop of 49.3%. This was driven by a LKR 233.7 Mn. current tax charge and a deferred tax reversal of LKR 81.1 Mn., an improvement of LKR 121.4 Mn. and LKR 26.9 Mn. respectively.

Taxes on the value addition increased despite the drop in turnover by 6.1% during the year. The Debt Repayment Levy (DRL) and the Nation Building Tax (NBT) on financial services were abolished as per the notices published by the Department of Inland Revenue, with effect from January 2020 and December 2019 respectively. However, the Company made payments of LKR 3.4 Mn. on NBT and LKR 18.2 Mn. for DRL applicable for previous financial period.

Assets

Total assets of the Company increased to LKR 37,903 Mn. compared to LKR 34,395 Mn. as at end of the previous year. While the loans and advances portfolio increased only marginally by 1.2%, the majority of the growth came from LKR 3,707 Mn. increase recorded in deposits with licensed commercial banks.

Total assets



The Management made a conscious decision to maintain higher than average levels of liquid assets throughout the year to curtail any adverse effects of prolonged business closure and disruptions to the recovery process due to measures taken to control the spread of COVID-19. However, to yield a better return in the context of low market rates prevailed, alternative instruments were used for investment. Consequently, cash and cash equivalents and investments in REPOs witnessed a YoY drop of 15.6% and 42.4% respectively while financial assets held at fair value through profit or loss increased by 34.2%. Investments in Treasury Bills and Bonds too increased by 7.2% to reach LKR 1,213 Mn. by the year end.

Cash flows

Senkadagala Finance primarily depends on large scale funding for its business needs, hence high levels of liquid assets are maintained throughout. Disruptions to loan collections coupled with moderate business growth required the use of LKR 2,498 Mn. cashflows in operating activities as opposed to LKR 4,536 Mn. generated in the previous year.

Due to curtailed investing activities and branch expansion in light of subdued economic condition, cash used for investing activities was confined to LKR 34 Mn. as opposed to LKR 375 Mn. used in the previous year. Capital expenditure incurred during the year included therein recorded a drop of 34% to LKR 136 Mn. compared to LKR 206 Mn. of the previous year.

Securitised borrowings of LKR 14,453 Mn. were obtained during the year while borrowings of LKR 9,388 Mn. were settled, in an effort to reprice the borrowings of the entity taking advantage of the low interest rates prevailed in the market. The Company redeemed LKR 2,413 Mn. worth debentures on maturity. On the whole, funds totalling LKR 2,536 Mn. were generated from financing activities during the year compared to LKR 4,308 Mn. used in the year before.

Loans and advances

Loan type	2021 LKR '000	2020 LKR '000	Change %
Finance leases and hire purchase	**24,735,380**	24,523,981	0.86
Commercial loans and personal loans	**1,345,657**	1,293,337	4.05
Pawning advances	**1,145,064**	1,160,219	(1.31)
Other advances	**335,984**	255,473	31.51
Total	**27,562,085**	27,233,010	1.21

The total loans and advances increased marginally by 1.21% over the year to LKR 27,562 Mn. against LKR 27,233 Mn. of the previous year, driven by the slowdown of new business growth due to COVID-19 pandemic related impediments to growth and economic downturn.

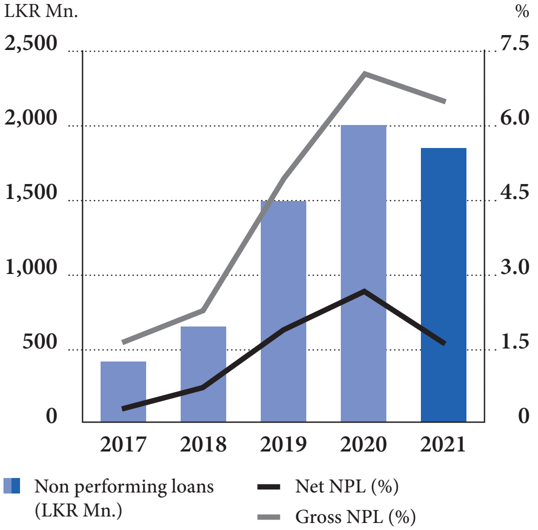
During the year, LKR 11.2 Bn. was granted as new finance as opposed to LKR 11.6 Bn. of the previous year. The average LTV of new loans amounted to 58.2%, as the Company primarily financed registered vehicles. The commercial and personal loans experienced a growth of 4.05% during the year to reach LKR 1,346 Mn. by March 2021. Pawning portfolio recorded a marginal drop of 1.3% to LKR 1,145 Mn. against LKR 1,160 Mn. of the previous year.

Asset quality

The Management accords the highest importance to maintaining high asset quality as a critical success factor in the finance business; it is regarded a key aspect in achieving sustainable business growth. With continuous upgrade of credit appraisal systems, policies and procedures, the Company has managed to maintain relatively low NPA ratios throughout.

Prolonged business closure and disruption to the recovery process caused the asset quality of the entire industry to deteriorate over the financial year under review. The industry ratios increased to 13.9% from 10.6% of the previous year. However, the Company managed to maintain its Gross NPL ratio, which is gross non-performing assets as a percentage of total advances, at 6.47% compared to 7.03% of the previous year, testament to the success of the recovery strategies adopted by the Management. The net NPL followed a similar trend to reach 1.57% compared to 2.61% of the year before.

Non-performing loans



Senkadagala Finance has maintained higher than industry average provisions throughout. Accordingly, by March 2021 the Company has made cumulative impairment provisions to the value of LKR 2,081 Mn. compared to LKR 1,570 Mn. of the previous year.

Liabilities

The total liabilities of the Company recorded an increase of 10.2% to LKR 31,944 Mn. compared to LKR 28,984 Mn. of 2020. Both bank borrowings and other securitised borrowings increased by 35.9% and 48.4% respectively by the year end. The short termed commercial paper financing too increased to LKR 312.8 Mn. by the year end. The low interest regime prevailed throughout the year prompted the growth in large scale funding to secure a low-cost funding structure for the long run.

During the year, the Company redeemed LKR 2,413.2 Mn. worth senior listed debentures on maturity. No new debentures were issued during the year under review.

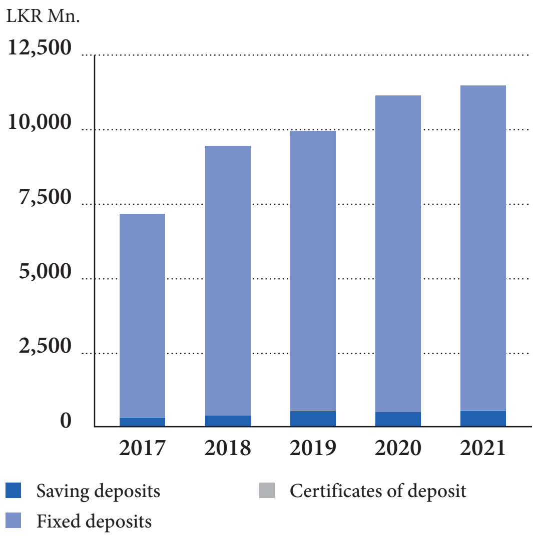
Deposits from customers

Deposits from customers consisting of fixed deposits, certificates of deposit, and savings deposits recorded a growth of 2.9% reaching LKR 11,546 Mn. by March 2021.

Fixed deposits base reached LKR 10,978 Mn. with a growth of 2.4% over the year. The savings deposits experienced a growth of 12.2% surpassing the LKR 500 Mn. mark with savings deposit customers being provided with many value-added services. This product is equipped with facilities equivalent to those of a bank deposit, while offering a higher rate of return to the customers.

The fact that the Company was able to maintain its deposit base is testament to the valued and trusted partnerships the Company has developed over the past five decades with its customers. This has added significance in the backdrop of mismanaged NBFIs being declared as distressed and licenses being cancelled by the CBSL, sending ripples across the industry deterring customers from depositing with NBFIs and prompting premature withdrawals.

Deposit base



Shareholders' funds

Total shareholders' funds recorded a growth of 10.2% over the financial year to reach LKR 5,959 Mn. In compliance with the Finance Companies (Capital Funds) Direction No. 1 of 2003, the Company transferred LKR 30 Mn. out of profits for the year to the Statutory Reserve Fund, resulting in a growth of the Fund by 6.9% to reach LKR 460 Mn. by March 2021.

Retained earnings recorded a growth of 15.3% to reach LKR 3,907 Mn. with the addition of the profits generated during the year. The fair value reserve increased by 16.1%, recognising the fair value gain of investments classified as equity at fair value through other comprehensive income.

In line with the Direction (Capital Adequacy Requirements) No. 3 of 2018, the Company recorded a core capital ratio of 16.69% and a total capital ratio of 21.66% as at 31 March 2021 compared to 15.48% and 21.54% respectively of the previous year, well in excess of the minimum regulatory requirements. This was due to prudent measures taken by the Management to increase the capital buffer in light of developments in the operating environment.

In April 2021, LKR 362 Mn. was added to the issued share capital subsequent to the successful completion of a rights issue of one (01) share for every fourteen (14) ordinary shares held, at a price of LKR 70/- per share. This is expected to further increase the shareholders' funds and improve the capital buffer.

Group performance

Senkadagala Finance Group performance reflects a trend parallel to that of the Company over the year. The post-tax profit increased by 134% to LKR 589.9 Mn. in the year under review compared to LKR 251.7 Mn. of the previous year. The total assets too recorded a growth of 10.4% to LKR 37,525 Mn. similar to that of the Company.

Senkadagala Insurance Brokers recorded a post-tax profit of LKR 101.7 Mn., with an increase of 18% from the previous year.

Senfin Asset Management (Pvt) Ltd. (previously known as Candor Asset Management (Pvt) Ltd.), the licensed unit trust management company acquired in March 2020, generated a profit of LKR 33.5 Mn. compared to the loss of LKR 27.3 Mn. recorded in the previous year, turning its performance around within the very first year under the Management of the Group.

Financial highlights of the subsidiaries

Senkadagala Insurance Brokers (Pvt) Ltd.

Financials (LKR '000)	2020/21	2019/20
Total assets	96,215	81,697
Total liabilities	67,543	54,728
Net assets	28,672	26,969
Total revenue	138,856	124,711
Profit before tax	133,869	118,324
Profit after tax	101,711	86,196

Senfin Asset Management (Pvt) Ltd.

Financials (LKR '000)	2020/21	2019/20
Total assets	62,668	30,243
Total liabilities	2,957	3,452
Net assets	59,711	26,791
Gross revenue	52,632	19,865
Profit/(loss) before tax	33,214	(27,351)
Profit/(loss) after tax	33,491	(27,351)

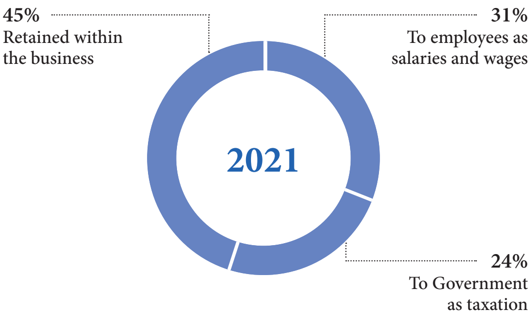
Value addition and distribution

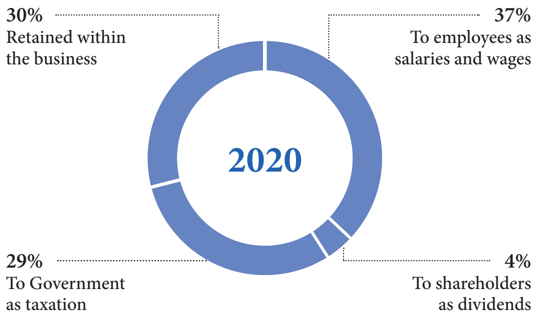
The value addition and distribution computation provides an understanding of the financial benefits each stakeholder group received due to business activities of the Company. Investors, shareholders, employees, and the government are considered as key stakeholders for the purpose of this computation.

Value added and distribution statement

	2021 LKR '000	Share %	2020 LKR '000	Share %	Change %
Value added					
Gross Income	6,342,156		6,754,686		(6)
Less					
Cost of borrowings	(3,215,269)		(3,681,611)		(13)
Payments towards support services	(640,243)		(703,551)		(9)
Provisions for loan losses	(496,679)		(499,454)		(1)
Impairment of investment	–		(25,388)		(100)
	1,989,963		1,844,682		8
Distribution of value addition					
To employees					
as salaries and wages	505,623	25	501,631	27	1
as other benefits	116,893	6	185,461	10	(37)
To shareholders as dividends	–	0	68,851	4	(100)
To Government					
as Income taxation	233,677	12	355,071	19	(34)
as taxes on financial services	241,700	12	193,761	10	25
Retained within the business					
as depreciation for replenishment of assets	426,734	21	452,138	25	(6)
as deferred taxtion	(83,077)	(4)	(58,943)	(3)	41
as reserves	548,413	28	146,712	8	274
	1,989,963		1,844,682		8

Distribution of value addition





INSTITUTIONAL CAPITAL

In bringing its 53 years of experience to bear, Senkadagala Finance has accrued a strong institutional capital base, and deploys the intangible assets garnered therein to provide a competitive edge and carve out a unique niche in the financial services landscape. The continuous goodwill the Company has built over their half century of existence, coupled with a distinguished client list, solid reputation, pursuance of timely technology, strong business ethics, customer satisfaction, a committed staff, and great corporate culture have proven their value not only to the Company, but to their stakeholders and the communities in which we operate.

ICT related investment

Information and Communications Technology (ICT) was first introduced to Senkadagala Finance at an early stage and has been steadily developed since then. In a rapidly changing tech environment, the Company has stayed up-to-date in its ICT systems, continually upgrading its hardware and software, well aware of the competitive advantage this brings. A well-structured, highly effective ICT framework is currently in place at Senkadagala Finance, evolving from the humble beginnings of a PC-based network system to what it is now - a highly sophisticated, stable, and fully reliable multi-user client server architecture in keeping with the latest technology, tailored to cater to the Company's specific operational and reporting needs.

All SFPLC's departments rely on its ICT framework to provide them with the system tools that enable the efficient running of the Company's operations. All levels of its hierarchy are able to acquire necessary insights and analytics, including customer information and a wide range of data at an operational level, quickly and efficiently in order to make decisions on a real-time basis. This, in turn, has powered the Company to higher levels of efficiency and standards of service. A majority of the Company's basic business functions have been automated, minimising user interactions, thus reducing non-value adding expenditure. In addition, the ICT system is utilised by support divisions such as Finance to carry out tasks such as payments, receipting, general ledger and management of repossessed assets. Importantly, the system generates management information in order to simplify and smoothen reporting and prudent daily decision-making processes, both internal and external.

In order to ensure the proper usage of the systems, the Company's ICT-related policies have been included in its procedure manual. Senkadagala Finance also has an Information System Security Policy and Business Continuity Plan in place to ensure minimal disruption.

Managing and mitigating risks

The importance of ICT operations cannot be overstated – most of the Company's operations embrace the use of ICT in some way, placing a very high reliance on it within a short period of time. As a result, managing and mitigating ICT-related risks that can have a detrimental impact on business activity is crucial, and we are stringent in our application of suitable counter-measures. As by their very nature, ICT-related risks are constantly evolving, the Company continues to review ICT-related policy and practices regularly so as to assess and effectively undermine any associated threat that could put daily business activity at risk.

Corporate culture

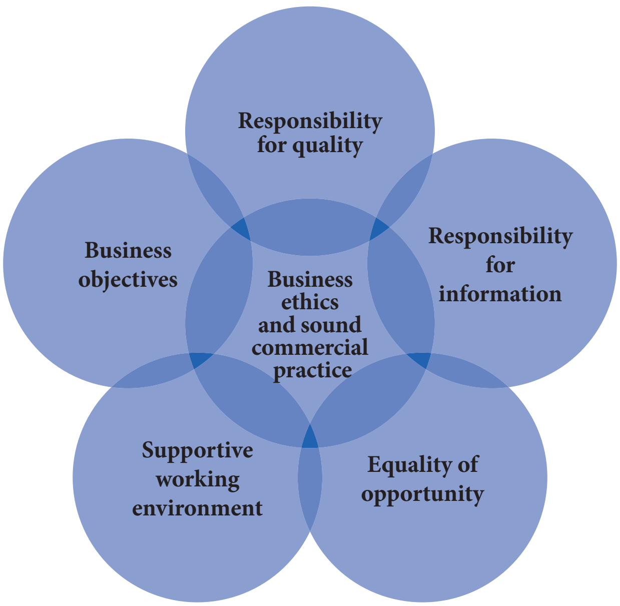
Senkadagala Finance prides itself in a multifaceted corporate culture that encourages ethical and diligent activity, promotes a team-driven environment, maintains high standards of professionalism, inspires a free superior-subordinate approach to encourage growth, and places a high value on the rise of the individual within its ranks. The Company has a strong customer-first approach to its dealings, identifying the customer as a key stakeholder in the business, with high customer satisfaction a key factor that all staff are encouraged to keep as a cornerstone.

A rare synergy can be seen in the optimal work infrastructure the Company promotes, where all branches and centres are encouraged to approach their duties and business related activity with the utmost professionalism, while keeping communication lines open to all employees in approaching their superiors with any issue, concern, or feedback.

A team-driven ethos is encouraged by Senkadagala Finance, with its branches and centres being staffed with a small number of employees, with the members of each branch being encouraged to learn and be proficient with all tasks undertaken at the operation. This has instigated a great culture of learning in the Company, lifted by a continuous stream of development opportunities afforded by Management to all staff. On-the-job training is fully encouraged, with technical knowledge, systems and procedures, and customer handling techniques being taught to newly recruited staff by an experienced staffer. A performance-driven culture has thus been instigated, with healthy competition seen between branches and centres. Team performance is assessed when annual bonuses are granted.

While teamwork is priced at the Company, the recognising of individual talent is also a key feature in the Senkadagala Finance playbook. The organisational culture encourages career development and progression within the organisation to our skilled staff members. This is evident in the fact that all managers appointed to new branches were through internal promotions. For the Company, this is a critical component of its value creation process.

This open corporate culture cascades throughout the Company, promoting a proactive approach to all aspects of the business. For example, line managers and other employees are encouraged to be vigilant of risks while carrying out their day-to-day activity, enabling Senkadagala Finance to identify and manage potential risks at the early stage, effectively nipping any threat in the bud.



Supply chain and procurement policy

In the regular course of business, items such as stationery, day-to-day consumables and maintenance-related equipment and services are acquired through a supply chain.

The sourcing is undertaken by the Administrative Department in line with the purchasing policies and procedures of the Company. A pool of suppliers is available for various requirements and a close relationship is maintained by the Company with the key suppliers to ensure high quality of goods and delivery on time. This results in reasonable pricing and quality service for the Company and continuous business for the suppliers.

A lean procurement process has been put into place in order to minimise inventory holding. A small stock of stationery is held at branch and centre levels due to the dispersed nature of the network. Branch staff places an order with the administrative office when depletion of inventory is noticed, and administrative staff immediately places an order with the supplier. The Company also has the services of a courier to deliver stationery and other equipment at the fastest possible speed, enabling Senkadagala Finance to minimise excess inventory of stationery and consumable stocks while maximising creation of value.

Trademarks and brand development

It has been over 50 years since Senkadagala Finance opened the doors of its first branch in Kandy in December 1968. The Company has strived to serve its customers with diligence and commitment since then, and its corporate culture has been fostered with that underlying ideology.

The Company's logo (and registered trademark) depicts a four-leaf clover – a symbol of good fortune. Throughout its history, the Company has tried to create wealth, prosperity and good fortune to its customers in keeping with its logo and its core ethics. From its inception, the Company has striven to develop its intrinsic values with the brand name Senkadagala Finance always being associated with technologically advanced elegance. Ethical business practices are a touchstone that the Company has always adhered to without exception.

Moreover, quality of service is not something Senkadagala Finance takes lightly. This is paramount in acquiring and maintaining a strong deposit base. The Company does not engage in price competitions when canvassing deposits. The customer's importance cannot be stated strongly enough; we strive to give supreme service to our customers, in turn fostering loyal, long-term relationships.

Centralised oversight is also practiced with the use of state-of-the-art systems, enabling the distribution of controls and operations. Accountability is promoted at all levels and across functions; for example, credit officers are accountable for their appraisals and thus involved with managing and recovering loans, helping to foster stronger customer relationships while maintaining lower NPLs (non performing loans). This practice has enabled Senkadagala Finance to maintain one of the lowest NPLs in the industry, despite turbulent economic conditions.

CUSTOMER CAPITAL

It is the customer that is the catalyst for Senkadagala Finance's core business activities of financial intermediation and maturity transformation, and, as such, we place the highest value in safeguarding and nurturing our customer capital. Due to our strong customer relationships, we enjoy a high customer retention and long-term sustainability of our business.

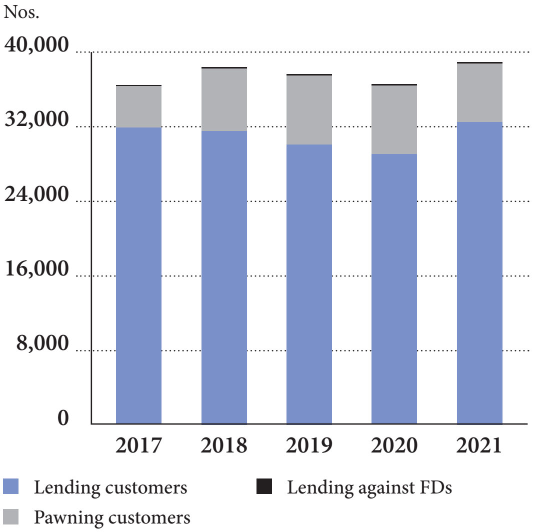
Total number of customers

Services offered

The Company offers financial services in the form of lending and accommodating deposits. Finance leases is the primary lending product, along with loan products such as commercial loans, personal loans, and pawning.

With a range of favourable taxation regulation changes taking place, the Company gave priority to the development of the finance leasing business in the past financial year. As a result, the lease portfolio saw a sharp increase.

Growth in lending customer base over the past five years



Pawning

Our pawning portfolio surpassed LKR 1 Bn. by the end of the 2020/21 financial year. Currently, 32 branches are offering pawning services and the Company expects to expand this service through 18 more branches in the near future.

Technological advancements

Various technological advancements facilitated the rapid disbursement of loaned funds to potential customers, giving the Company a strong competitive edge. Customers who approached the Company with good creditworthiness were often able to obtain loaned funds for their commercial or personal needs within a period of two business days.

Fixed deposits and online portal

Fixed deposits are the Company's primary form of deposit mobilisation. There are several sub-products for different customer groups, such as senior citizens and minors. The Company offers attractive interest rates for FD holders within the CBSL regulated rates. Our fixed depositors also have the option of handling their account transactions through the online portal of the Company website.

The upgraded online portal provides customers with a user-friendly interface for balance inquiry, fund transfers, online real-time transfers, bill payments, the withdrawal and placing of fixed deposits through Company savings accounts, and many other value added services. As a sub-product of its FDs, the Company also has loans granted against fixed deposits in place. This enables our customers to utilise their funds in emergency situations without compromising interest receivable on maturity of deposits.

Savings and certificates of deposit are supplementary deposit products of the Company. The Management has taken a series of steps to strengthen these products by introducing many features and benefits, 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 Company's online portal. The Company has high hopes of developing this product, as it is projected to greatly benefit customers.

Other services

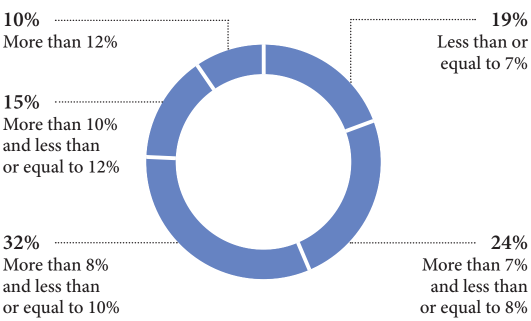
The Company also provides other services such as foreign currency exchange, insurance brokering activities and Western Union fund transfers. Through the insurance brokering arm of the Company, customers can receive quotes from almost all the leading insurance companies operating in Sri Lanka within minutes, enabling them to compare and take informed decisions that enable them to make great cost savings while obtaining the services of their preferred insurance company.

Payments through POS machines were introduced in 2019 in all branches, enabling customers to pay their leasing rental via MasterCard or VISA debit cards. The number of transactions for 2020/21 stood at 1,298 at a value of LKR 49.9 Mn., against LKR 15.8 Mn. the previous year.

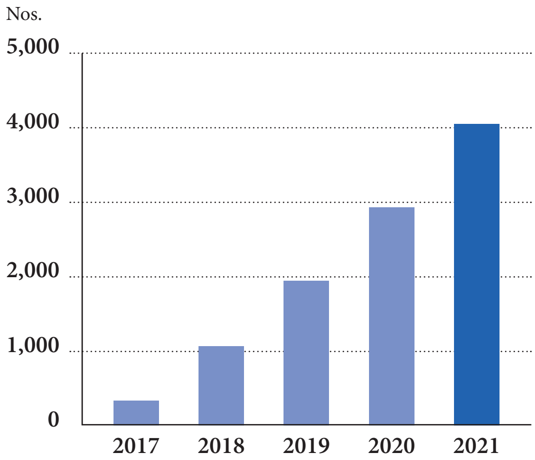
An Internet Payment Gateway (IPG) was also introduced in 2019, where customers could log into the Company website and pay leasing and loan rentals through the IPG. This move proved prescient and fortuitous as this method was used abundantly during the lockdown periods. 390 total payments were made using IPG at a value of LKR 12.2 Mn.

A mobile app that would enable a range of services the Company provides to be available at your fingertips is currently in development, taking its relationship with prevalent technology a step further.

Analysis of fixed deposits based on interest rate



Digital banking customer base



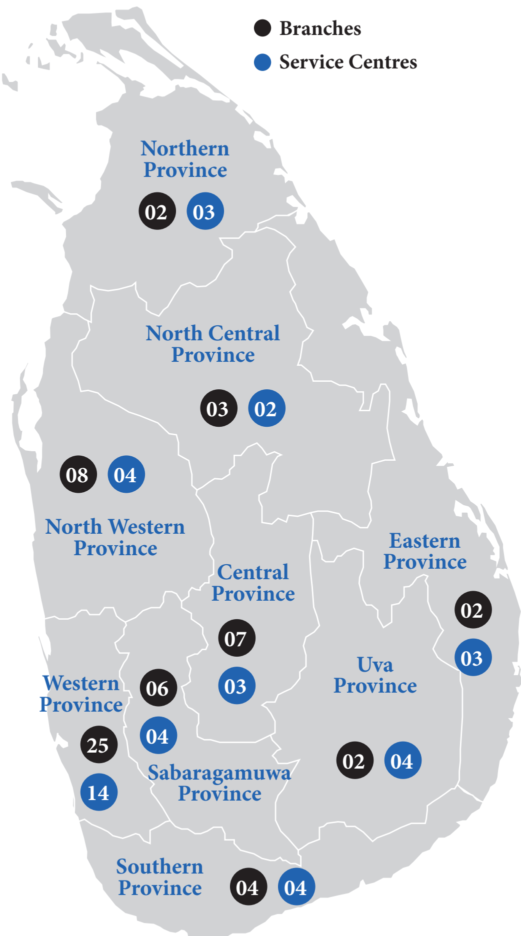
Geographical breakdown

Senkadagala Finance constantly strives to strengthen customer access by expanding its presence across the country. We serve customers across the nation through our network of 59 branches and 41 service centres. As a result of our expansion, we are experiencing significant growth in regions outside of Colombo.

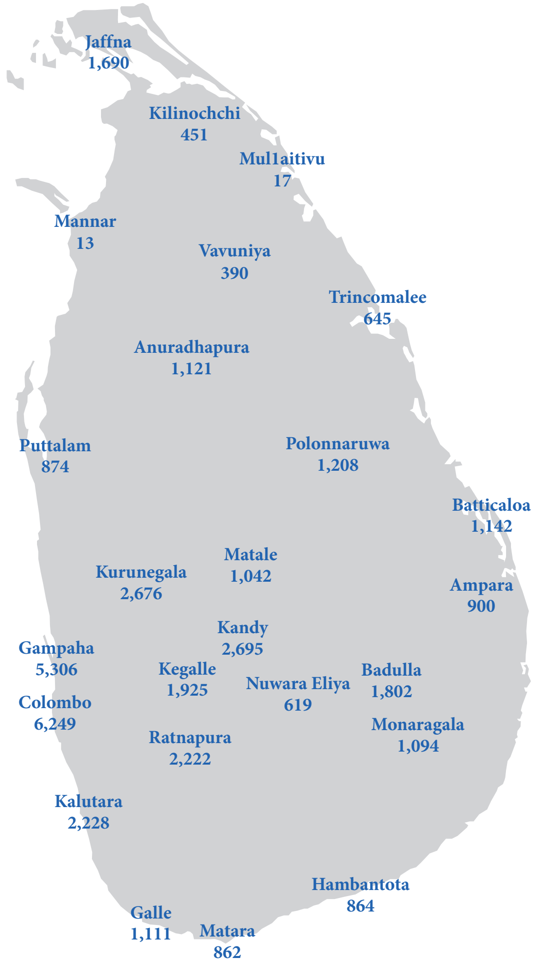
Product portfolio

Senkadagala Finance strives to maintain a balanced product portfolio. While certain products are at the maturity stage of their product life cycle, others have been recently introduced, offering potential for growth and ensuring a healthy, continuous flow of returns to the Company. The Company continuously develops new sub-products and upgrades its products with novel value-added services and features to better fulfil customer requirements.

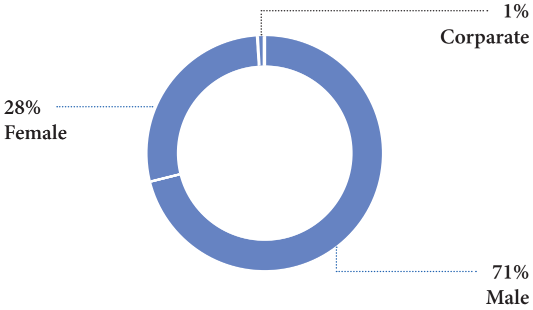
Geographical spread



District-wise breakdown of lending customers



Gender-wise analysis of lending customers



Customer relationships, brand development, and promotions

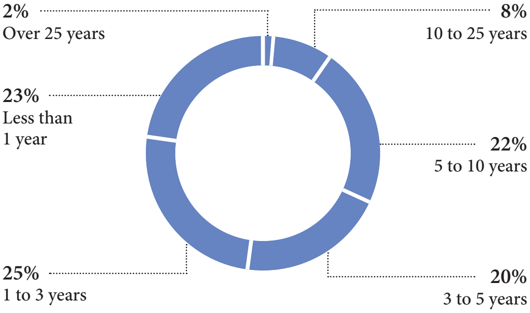
The Company's primary form of business promotion is dependent on referrals and recommendations, hence customer satisfaction and the maintenance of good customer relations is of paramount importance. Beyond this, the Company uses a diverse array of channels and media for promotional activity, brand development, and to connect with our customers, including leaflet campaigns, street promotions, banner displays, and town storming. Most Company promotions are localised, in order to tap into our regional markets.

Our customer care platform is further enhanced by appointing Relationship Managers to each customer, with the Marketing Officer acting as a relationship manager for the period of a contract. We maintain strong, direct, and personal relationships with our customers through this system, whereby any customer can directly call one of our Relationship Managers for any queries, comments or complaints.

The Company's centralised network system enables customers to access the services of the Company at any of its 59 branches and 41 service centres. Information on loan facilities, deposits, and other Company services are available to our customers at any of these Touch Points. In order to enhance our connectivity with our customer base, the corporate website has a customer portal, where customers can directly make any inquiries about products and services, accessibility and register complaints if necessary. Also, the Company's general email address is open to any inquiry and has recently been upgraded to include a user-friendly interface.

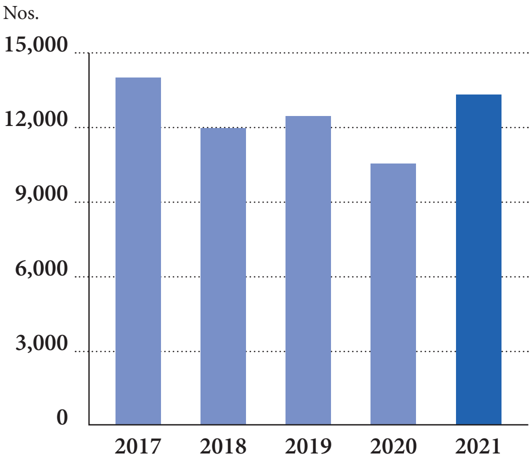
In order to assess and maintain our strong customer relationships, periodic customer satisfaction surveys are conducted. The Company's high rate of return customers is a clear indication of high customer satisfaction and the loyal customer base the Company enjoys.

Length of relationship with fixed deposit customers



The Company also has in place a customer complaint and suggestions box at every branch and service centre. The complaints and suggestions are gathered by the administration and remedial action is taken promptly. Depending on the severity of the issue, complaints are taken very seriously with the involvement of the highest authority.

Number of new lending customers



EMPLOYEE CAPITAL

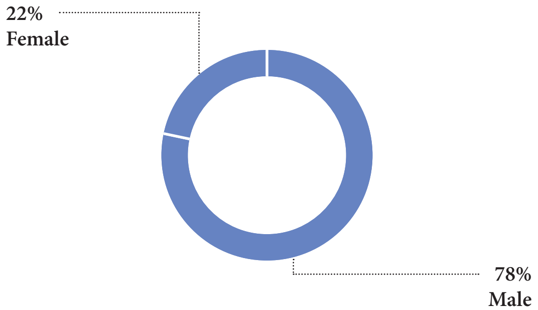
An essential aspect of executing the Company's corporate business strategy is the managing of Employee Capital – the overall, intangible value of the Company's workforce skills. Senkadagala Finance focuses on building a resilient and engaged staff who are able to create increased value. By leveraging the skills, experience, diversity and productivity of our people, we are able to operate efficiently, reliably and sustainably, and deliver on our growth objectives. A key success factor of our business is our ability to attract, develop, and retain the right people.

Diversity and inclusion

A diverse and inclusive workforce is something the Company strives for, with the firm conviction that diversity drives quality and innovation and thus ultimately drives performance, leading to better solutions for our clients. Gender, age, race, disability, experience, religion, values and beliefs come under the umbrella of our approach to diversity.

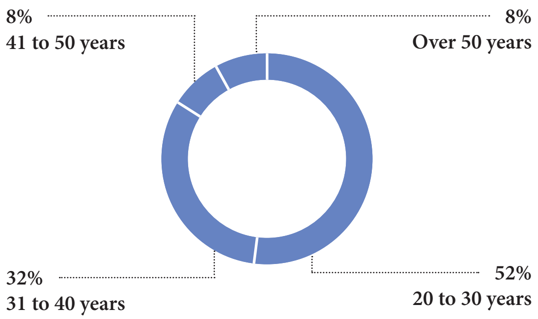
In terms of gender, 21.7% of employees are women, compared to last year's 22.5%. Despite more male employees being required at branches due to the nature of the Company's operation and business model, there are equal or indeed more female employees in other departments of the Organisation. There are also middle management positions held by women, all of whom were promoted internally.

Gender-wise analysis



Age-wise, the 20 to 30-year category has the most number of employees, accounting for 52%, compared to the previous year's 59%. 32% are between the ages of 31-40, 8% are over 50 years of age.

Age-wise analysis



Recruitment and selection

Senkadagala Finance adopts a stringent recruitment process to make sure the best talent is hired to each and every position. The process is based purely on merit without any favouritism or discrimination. Internal candidates are given priority in filling vacancies, with promotions being granted to fill new job roles.

The Company's workforce consists of 807 employees, with 105 being recruited over the last year. 68% of new recruits joined branches. A majority of recruits were drawn from the very areas the branches are located in, creating employment opportunities for the youth in the communities in which we operate. 18% of vacancies were filled by internal candidates, of which 57% were promotions, reflecting the strength of our internal pool of talent and our development programmes.

Training and development

Development and growth, both personal and professional, are crucial for the Company. This year, we invested LKR 198,130 in training and development, which will enable our workforce to more effectively and efficiently perform in their roles and empower them to drive the Company to even greater heights.

Employee retention

A high turnover was recorded in the sales and marketing division, mainly due to competition. In order to tackle this, Senkadagala Finance has taken several measures to strengthen employee retention. These include competitive remuneration packages, enabling a corporate culture that nurtures growth, providing a range of non-financial benefits, and implementing an effective grievance and counselling procedure. Exit interviews are also conducted in order to ascertain the reasons for employee resignations and departures, and remedial actions are taken to minimise the talent drain.

As a result, there has been a notable increase in the average length of service across all job titles within the Company. The average service period of the Senior Management team increased from 13.4 and 9.1 years in 2019/20 to 14.4 and 10 years in 2020/21 whilst the average service period of senior executives and executives has been increased from 5.6 years in 2019/20 to 6.6 years in 2020/21.

Perquisites and benefits

A range of benefits are granted by Senkadagala Finance in addition to the mandatory benefits. We believe it is vital to acknowledge and reward the performance of our employees and highlight the important role they play in the growth of the Company. Medical benefits, personal accident covers, loans and other incentives are provided to employees as part of our performance-based perquisites.

Performance review

An ongoing performance evaluation system assesses the performance of the sales and marketing staff. The system can measure performance at individual, branch, and regional levels and monitor status on a real-time basis. Incentives based on performance are provided to employees to reward high-performing branches and employees, depending on the profitability of the Company and at the discretion of the Management.

Health, safety, and protection

The well-being of our people is paramount, and we have implemented several measures to ensure the health and safety of all the Company's employees. Security officers have been deployed in identified locations as required, with CCTV camera, security alarms and locks placed at all locations to ensure the safety of all branches and the Head Office. Workplace health and safety regulations are also in place to create a safe working environment. All employees are encouraged to adhere to these measures in order to ensure they are protected and are safe at all times.

Tight fire protection measures are also in place for prevention and emergency response to protect all life and property in case of a fire. In addition to conducting periodic fire drills, selected employees have been trained as fire wardens, with all employees being given a training in fire evacuation, protection, and safety.

COVID-19

Following the global COVID-19 pandemic, necessary safety protocols have been implemented in accordance with the guidelines of the country's health authorities in order to safeguard our customers and employees. Social distancing practices have been adopted and adhered to strictly to ensure employee and customer well-being.

Handling grievances

The Company, like any other, receives a certain number of grievances and complaints, both internally and externally. A formal grievance handling procedure has been instituted to sensitively handle employee issues in a transparent manner without discomfort to the employees.

The Company's corporate culture, which fosters trust and communication among employees, has been effective in handling grievances. All employees with grievances are treated with compassion, understanding, and seriousness, and immediate remedial action is taken for issues that cause discomfort to respective employees.

A healthy work-life balance

We believe that employees who are happy, fulfilled, and well-rounded outside of work bring a heightened energy and productivity to their roles in the workplace. To ensure a healthy work-life balance, the Company has adopted numerous measures, including geographically friendly recruitments, convenient work times, nurturing a friendly working environment and making provision for employees to enjoy their leave without hassle.

SOCIAL AND ENVIRONMENTAL CAPITAL

Social capital

In its day-to-day operations and the running of its business, Senkadagala Finance knows that its activities affect the environment around it, be it natural or social. This tasks us with a responsibility – a responsibility to minimise adverse impacts and deliver value, in multiple forms, to not simply our shareholders and customers, but to the wider network of stakeholders on whom our success depends.

Our sense of responsibility begins with our core business itself. Since its inception over five decades ago, Senkadagala Finance has, through its financing facilities, contributed towards the betterment of the lives of its customers. In general, finance companies offer financial products and services to the unbanked or underbanked segments in society, helping these demographics with financial inclusion and empowerment. Specifically, Senkadagala Finance tries to focus on providing financial solutions to entrepreneurs and small and medium enterprises – a segment that comprises the majority of the country's economic activity.

Environmental capital

The Company continually endeavours to ensure effective environmental and social management practices in all its activities and services. The Environmental and Social Management System (ESMS), has been put in place by the Company in order to integrate environmental and social risk management into its business process. This was formulated when the Company obtained its first loan from the International Finance Corporation (IFC). One of the main objectives of the ESMS is to screen lending against the Exclusion List that defines the types of activities that are detrimental to nature and society at large. The policy also sees that projects that are financed by the Company remain in line with the applicable national environmental legislative requirements and relevant international best practices. The Company helps assist clients in identifying, mitigating, and managing environmental and social risks. It also serves to monitor, supervise, and assist in the effective implementation of the ESMS. Transparency is key, with the Company working to ensure that this is achieved with ESMS and procedures surrounding it.

Focus points

Special focus is placed by the Company on ensuring that relevant local, national as well as international best practices on environmental and social protection are integrated by the customer prior to or soon after its financing and in its implementation.

The Company also takes great care in making certain that it is consistent with its own environmental and social standards as well as other applicable requirements, and all activities are reviewed against those said requirements while integrating environmental and social risk management into its internal risk management analysis. Senkadagala Finance, in its role as a financial intermediary, understands that it can play a significant role as an influencer, and encourages and assists clients and other domestic business partners to be more environmentally and socially responsible.

In April of 2014, when the ESMS policy was put into action, the Company included an addendum to its loan agreement, communicating the Company policy on environment and social risk management to its customers and emphasising the necessity to conduct their business activities in line with it.

Green initiatives

Senkadagala Finance has put into operation several green initiatives aimed at making the Company a leaner, cleaner, more environmentally-friendly business.

An Online Document Retrieval System is in place at Senkadagala Finance through which we have significantly reduced the requirement to reproduce physical copies of documents. Furthermore, by using this system for the loan approval process, the amount of time taken to approve a loan facility has been reduced, improving the productivity of the Company.

The process of replicating system generated documents for record keeping was terminated, to avoid storage and binding cost of said duplicates, as the staff is able to reprint any previous record from the online system as when required. This decision has been highly effective in substantially reducing printing and stationery costs. The Company has also digitised its staff claim approval process, further helping to cut-down paper consumption at branch and centre level.

The reuse of such consumables as paper is actively promoted by the Management. The Administrative Department stresses the necessity to recycle envelopes for internal courier purposes. This move has helped not only to cut down on costs but also to promote similar environmental-friendly trends among staff.

Cutting down on energy

Reduction of energy consumption is also encouraged at Senkadagala Finance, with one initiative being the use of LED panel lights when installing lighting systems in relocated branches and service centres. Though procurement and installation costs have slightly increased due to this, it has helped reduce the overall energy consumption of the entity, thereby creating a financial saving as well. The Management also replaced outdated air conditioning units with Inverter Air Conditioners, helping preserve energy further.

It is also proposed that all new properties under construction have solar electrical systems installed, further cutting down on energy consumption. The staff has also been informed and educated on simple energy-saving tasks, such as turning off lights that are not being used and unplugging unused appliances.

All these initiatives have enabled the Company to reduce its electricity consumption compared to the previous year.

	2021	2020	Variance %
Electricity expenses (LKR)	45,429,979	48,737,658	(6.79)
No. of units	1,750,041	1,802,953	(2.93)
Water expenses (LKR)	1,268,617	1,257,440	0.89
No. of units	14,072	13,951	0.87

SHAREHOLDER AND INVESTOR CAPITAL

Shareholders play an important role in the success of the Company in the short, medium and long term. The three shareholders that were there at the inception of the Company, were also the Directors at the time. Since then, we have grown sustainably over the years, gaining the trust of more shareholders. Investors are relied upon for equity and individuals and institutions for debt capital.

Senkadagala Finance PLC was listed in the Diri Savi Board of the Colombo Stock Exchange in March 2011, providing shareholders with a liquid form of investment.

We only have equity in the form of voting shares in issue. All shares listed are voting shares and the Company does not have any other categories of shares in issue.

Shareholder Information

Twenty largest shareholders

As at 31 March	2021		2020	
	Number of shares	Percentage of holding	Number of shares	Percentage of holding
E W Balasuriya & Co. (Pvt) Limited	40,918,535	56.46	40,918,535	56.46
Hallsville Trading Group Inc.	5,954,393	8.22	5,954,393	8.22
Late Dr M Balasuriya (Deceased on 13 November 2020)	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
Mrs L Fernando and Ms S A Fernando	1,166,232	1.61	1,166,232	1.61
Mrs L Fernando and Mr A R Fernando	1,166,231	1.61	1,166,231	1.61
Mrs 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
Mr I M Thaha	144,073	0.20	144,073	0.20
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
Mrs S Thaha	14,408	0.02	14,408	0.02
Total	**72,475,046**	**100.00**	72,475,046	100.00

The Company has 72,475,061 voting shares in issue, with right to vote allocated at one vote per share as at 31 March 2021.

Directors' shareholdings

As at 31 March	2021		2020	
	Number of shares	Percentage of holding	Number of shares	Percentage of holding
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
Mrs L Fernando and Ms S A Fernando	1,166,232	1.61	1,166,232	1.61
Mrs L Fernando and Mr A R Fernando	1,166,231	1.61	1,166,231	1.61
Mrs 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
Late Dr M Balasuriya (Deceased on 13 November 2020)	4,172,046	5.76	4,172,046	5.76
Mr S D Bandaranayake	–	0.00	–	0.00
Mr D T P Collure (Retired w. e. f. 10 May 2021)	–	0.00	–	0.00
Mr W M R S Dias	–	0.00	–	0.00
Mr Senanayakege R Pushpakumara	–	0.00	–	0.00
Mr N Vasantha Kumar	–	0.00	–	0.00
Dr (Ms) R A Perera (Appointed w. e. f. 22 September 2020)	–	0.00	–	0.00

Distribution of shareholders

Shareholding as at 31 March	2021			2020		
	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	4	80,001	0.11	4	80,001	0.11
100,001 - 1,000,000	4	1,163,197	1.60	4	1,163,197	1.60
1,000,001 - 10,000,000	11	30,313,313	41.83	11	30,313,313	41.83
Over 10,000,000 shares	1	40,918,535	56.46	1	40,918,535	56.46
		72,475,061	100.00		72,475,061	100.00

Residential and non-residential shareholders

Shareholding as at 31 March	2021			2020		
	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 shareholders

Shareholding as at 31 March	2021			2020		
	Number of holders	Number of shares	Percentage %	Number of holders	Number of shares	Percentage %
Institutions	3	46,872,943	64.67	3	46,872,943	64.67
Individuals	18	25,602,118	35.33	18	25,602,118	35.33
		72,475,061			72,475,061	

Ratios and performance indicators

As at 31 March	2021	2020	2019	2018	2017
Earnings per share (LKR)	7.65	3.14	13.12	13.97	13.05
Dividends per share (LKR)	–	0.95	3.15	3.00	2.85
Net assets per share (LKR)	82.23	74.65	73.09	69.42	56.14
Price earning ratio (Times)	12.03	29.30	6.86	6.44	6.90
Price to book value ratio (Times)	1.12	1.23	1.23	1.30	1.60
Dividends yield (Times)	–	1.03	3.50	3.33	3.17

Market price and trade information

For the year ended 31 March	2021	2020
Market prices		
Highest price (LKR)	Not traded	92.00
Lowest price (LKR)	Not traded	92.00
Last traded price (LKR)	Not traded	92.00
Last traded date	–	9 December 2019
Number of trades	–	1
Number of shares traded	–	144,075
Value of shares traded (LKR)	–	13,254,900

Information on public holding and market capitalisation

As at 31 March	2021	2020	Minimum requirement
Public holding (%)	21.40	15.64	7.50
Number of public shareholders	9	8	200
The float adjusted market capitalisation (LKR)	1,403,915,883	1,042,884,032	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 2021 and as at 31 March 2020, the Company was not in compliance with the minimum number of shareholders required therein.

Rights issue - April 2021

The Board of Directors proposed and approval in principal was obtained from the Colombo Stock Exchange and the Central Bank of Sri Lanka to issue and list 5,176,790 shares at an issue price of LKR 70/- per share to raise LKR 362,375,300/- by way of a rights issue.

The resolution pertaining to this issue was duly adopted by the shareholders at an Extraordinary General Meeting held on 29 March 2021. The rights were fully subscribed and the issue was completed by 19 April 2021. The shares were listed in the Colombo Stock Exchange on 22 April 2021.

The primary objective of the issue was to maintain a higher capital adequacy. The funds raised were proposed to be utilised in the ordinary course of the business to increase the loan book of the entity.

Details of utilisation of funds raised via the rights issue are as follows:

Objective number	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilisation as per circular	Amount allocated from proceeds in (A) LKR	Percentage of total proceeds	Amount utilised in (B) LKR	Percentage of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Maintain a higher capital adequacy	362,375,300	30 April 2021	362,375,300	100	362,375,300	100	N/A
2	Increase the loan book of the Company	362,375,300	One month from receipt (i.e. 29 May 2021)	362,375,300	100	362,375,300	100	N/A

Dividend policy

A number of factors are taken into consideration when deciding the dividend payouts each year. These include earnings after tax, current capital ratios, capital requirements to support future growth strategies, liquidity position and industry practices.

Details of dividends paid/proposed to shareholders during the year are as follows:

For the financial year ended 31 March	2021			2020		
	Amount LKR	DPS LKR	Paid date	Amount LKR	DPS LKR	Paid date
Final dividend proposed	90,076,147	1.16	Subject to approval at the AGM	–	–	–
Total dividends proposed for the year	90,076,147			–		
Total dividends paid during the year	–			68,851,308		
Earnings for the year	554,745,075			227,831,063		
Dividends pay-out ratio (%)*	0.00			30.22		
Earnings retention ratio (%)	100.00			69.78		

** Dividends pay-out ratio is calculated by dividing dividends paid to ordinary shareholders of the Company, by the earnings during the year.*

Listed debentures

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

Debenture	August 2019	November 2016	
		Type D	Type E
Instrument	Subordinated, Unsecured, Redeemable, Rated	Senior, Unsecured, Redeemable, Rated	
Listing	Main Board of the Colombo Stock Exchange	Main Board of the Colombo Stock Exchange	
Redemption	Redeemable	Redeemed in November 2020	
Number of debentures	17,500,000	622,700	23,509,400
Issue price (LKR)	100.00	100.00	100.00
Tenure	5 years	4 years	4 years
Date of issue	August 2019	November 2016	November 2016
Date of maturity	August 2024	November 2020	November 2020
Interest rate	Fixed coupon of 12.875% 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
Effective annual yield (%)	13.29	–	14.22
Interest of comparable Government Securities (%)	7.20	9.60	9.60
Rating	BBB- by Fitch Ratings Lanka Limited	BBB+ by Fitch Ratings Lanka Limited	
Total amount (LKR)	1,750,000,000/-	62,270,000/-	2,350,940,000/-
Market information			
Highest traded value (LKR)	108.00	Not traded	100.67
Lowest traded value (LKR)	102.10	Not traded	100.67
Last traded value (LKR)	102.10	Not traded	100.67
Current yield (%)	12.61	N/A	N/A
Yield to maturity (%)	12.02	N/A	N/A

The Company redeemed listed debentures to the value of LKR 2,413.21 Mn. (2020 – LKR 189.52 Mn.) during the financial year.

The subordinated debenture issue in August 2019 was primarily objected to strengthen the capital structure of the Company. Proceeds from the debenture issue were primarily utilised to finance leasing and other lending of the Company. Details of utilisation of funding is 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 in (A) LKR Mn.	Percentage of total proceeds	Amount utilised in (B) (LKR Mn.)	Percentage of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Strengthen the capital structure	1,750	31 August 2019	1,750	100	1,750	100	N/A
2	Expansion of the lending portfolio	1,750	Within 12 months from the date of allotment	1,750	100	1,750	100	N/A

Other financial information

	2021	2020	2019	2018	2017
Debt to equity ratio (Times)	**3.14**	2.96	3.77	3.93	5.12
Interest cover (Times)	**1.17**	1.06	1.25	1.29	1.47

Capital Adequacy

It is important to maintain adequate capital funds in order to be resilient in volatile economic conditions. The Central Bank of Sri Lanka has issued several directives to govern this aspect of NBFIs. Following are the Directives governing the capital position of LFCs and the requirements thereon.

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.
- 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 6.50% of its risk weighted assets, with the total capital constituting not less than 10.5% of its risk-weighted assets.
- **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 various adjustments for intangible assets and investments in financial subsidiaries.
- **Tier 2 – Supplementary capital:** Comprising revaluation reserves, general provisions, and other capital instruments which combine characteristics of equity and debt instruments and unsecured subordinated term debts, with adjustments to investments in financial subsidiaries.
- **Risk-weighted assets –** The Central Bank defines weightings based on the risk inherent in each category of assets. Cash and investments in government securities are 0% weighted. Securitised assets are weighted in accordance with risk exposure of the security.
- Risk-weighted assets amount on operational risk, as introduced by this 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 2.5 Bn. from 1 January 2021, which timeline has since been extended to 1 January 2022.

Our commitment

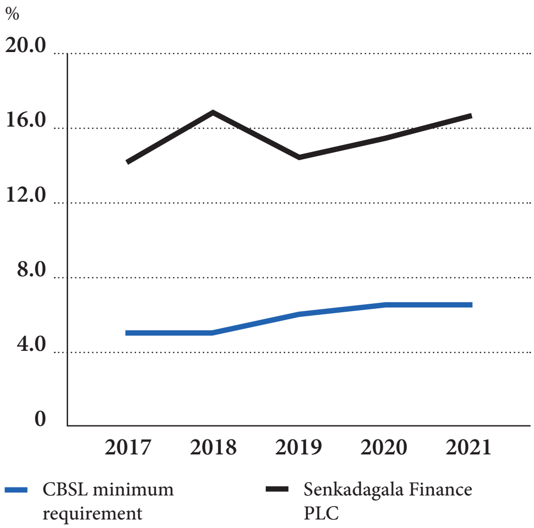
Understanding the importance of healthy capital positions, Senkadagala Finance continues to surpass the regulatory capital requirements. As at 31 March 2021, the Company recorded a core capital ratio of 16.69% and a total capital ratio of 21.66%.

Initiatives taken during the year

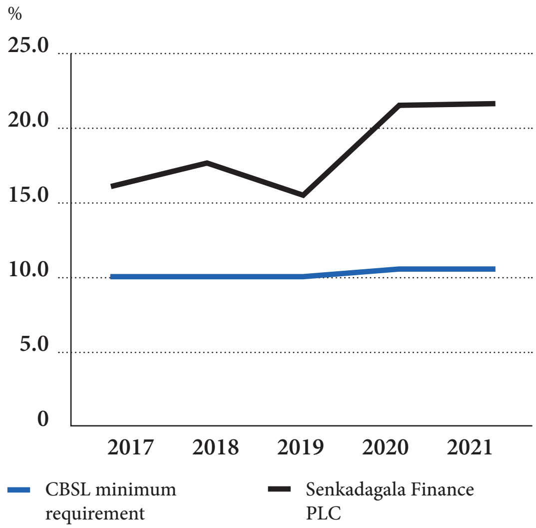
- The Company maintains a statutory reserve fund amounting to LKR 460,036,033/- as at 31 March 2021. LKR 30 Mn. out of profits was transferred to the said fund during the year.
- Out of profits for the year, LKR 458,336,920/- will be retained within the Company to support future growth and to strengthen the capital base, subsequent to the proposed dividend of LKR 90,076,147.16.
- LKR 362,375,300/- was raised by way of a rights issue to strengthen the capital base of the entity. The issue was concluded in April 2021, increasing the core capital and total capital ratios to 17.7% and 22.6% respectively.

	2021 %	2020 %	2019 %	2018 %	2017 %
Core capital ratio					
Senkadagala Finance PLC	**16.69**	15.48	14.46	16.86	14.19
CBSL minimum requirement	**6.50**	6.50	6.00	5.00	5.00
Total capital ratio					
Senkadagala Finance PLC	**21.66**	21.54	15.49	17.65	16.08
CBSL minimum requirement	**10.50**	10.50	10.00	10.00	10.00

Core capital ratio



Total capital ratio



Sri Pada (Adam's Peak) – an iconic landmark of Sri Lanka revered by all, inspiring and unifying people from diverse backgrounds for centuries. | ***Photography by Naleen Wijesinghe***

GOVERNANCE

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BOARD OF DIRECTORS' PROFILES

Mr W M R S 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., (Chairman), and McLarens Holdings Ltd.

He previously served on the Boards of Lanka Clear (Pvt) Ltd., Lanka Financial Services Bureau Ltd., Commercial Development Company PLC, Commercial Insurance Brokers (Pvt) 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 (Pvt) Ltd., Thompsons Beach Hotels Ltd, and Senkadagala Insurance Brokers (Pvt) Ltd. He holds a BSc (Lon) and MSc (Lancaster) and has 40 years of experience in finance, hotel management, and other commercial fields.

Dr Asoka Balasuriya

BSc (London), PhD (London)
Executive Director

Dr Balasuriya holds a BSc (Lon) and a PhD (Lon) and has over 37 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 24 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.

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). He also serves as a Director of Lankdhanavi Ltd.

Mr Bandaranayake holds a Bachelor's Degree in Physical Sciences from the University of Sri Lanka, Vidyodaya Campus.

Mr Senanayakege Raja Pushpakumara

FCA, BCom (Special) (USJ), PG Dip (BMgt)
Independent Non-Executive Director

Mr Senanayakege completed his articles at Messrs 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 Commercial Bank of Ceylon PLC and as a Non-Independent Non-Executive Director of CBC Finance Ltd. (formerly Serendib Finance Ltd.), a fully owned subsidiary of Commercial Bank of Ceylon PLC. He serves as a Director of Virtual Capital Technologies (Pvt.) Ltd., a software development company that specialises in enterprise solutions in the real estate, retail and telecom spaces catering to the New Zealand and the Australian markets.

Mr Namasivayam Vasantha Kumar

MBA, Dip (Professional Treasury Management)
Independent Non-Executive Director

Mr N Vasantha Kumar holds a Master of Business Administration and Diploma in Professional Treasury Management. He was the former CEO/General Manager of People's Bank and served as Treasurer at ANZ Grindlays Bank Colombo for many years..

Currently he is the Chairman of Safe Holding (Pvt) Ltd. and Director of Ceylinco Insurance PLC. He is also a Past President of the Association of Primary Dealers and Sri Lanka Forex Association.

Dr (Ms) Roshan Anne Perera

PhD (Melb), MPA (Harvard)
Independent Non-Executive Director

Dr Roshan Perera is a public policy specialist with 20+ years of experience in formulating and implementing monetary and fiscal policy. She also has expertise in regulating and supervising financial institutions and in helping strengthen approaches to managing risks. She was a Director at the Central Bank of Sri Lanka and presently works as an independent consultant to multilateral agencies both in Sri Lanka and abroad. She has also served on many Boards including the Institute of Policy Studies and the Sri Lanka Institute of Directors.

She recently completed a Masters in Public Administration as an Edward S Mason Fellow at the John F Kennedy School of Government at Harvard University USA, 2020. She also has a PhD in Economics from the University of Melbourne, Australia, a Masters in Environmental Geography from the University of Illinois at Chicago, Chicago, IL, USA and a Masters in Economics and is a Bachelor of Arts in Economics from the University of Colombo.

CORPORATE GOVERNANCE

The Company's corporate governance framework which is built on the foundation of a collaborative culture, independent structure, ethical behaviour, and a focused approach continues to ensure good governance within the Company. The strong base 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 the right 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 of 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 the smooth conduct of operations while providing financial, human, and other resources for the attainment of its corporate objectives. The 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 the 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) 4	Executive Directors 4
Governance of the Board	Overall conduct of the business and implementing strategy	

Board Committees

Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Related Party Transactions Review Committee
Key objectives Effective governance of financial reporting, internal control and risk management systems, review of significant accounting judgements, assumptions and estimates, management of the relationship and appointment of the External Auditor, monitoring and reviewing of effectiveness of the internal audit function	**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	**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	**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
Three Independent Non-Executive Directors with accounting and auditing background	One Independent Non-Executive Director and two Executive Directors with the Senior Management	Two Independent Non-Executive Directors	Two Independent Non-Executive Directors and one Executive Director

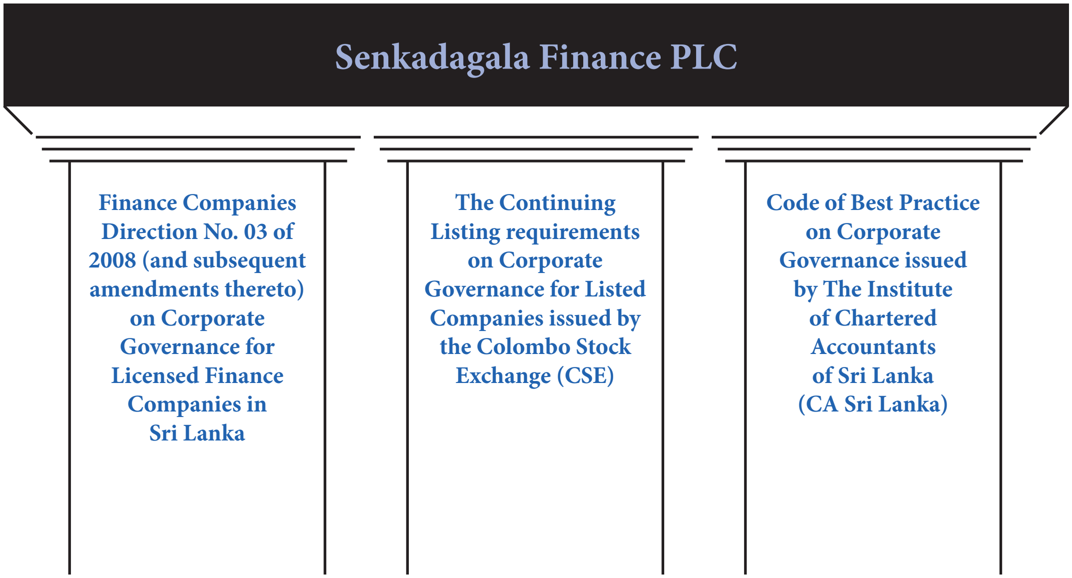
Executive Management Committee

Managing Director	Additional Chief Executive Officer	Two Executive Directors	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

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.
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 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 the effective running of day-to-day operations of the Company.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
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 procedures are 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 the 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 a situation has not arisen as the 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 are 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 the 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 a minimum notice period for all Board meetings.
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	The Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. Prior to circulation, the Board Secretary obtains the 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.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
3 (8)	Minutes of Board meetings	Complied	Duly perfected minutes of the Board meetings are available with the Board Secretary and those can be accessed by any Director at any point in time.
3 (9)	Details of minutes		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 on 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 2021
Mr W M R S Dias	Chairman – Independent Non-Executive Director	Completed 6 years and 7 months
Mr D T P Collure (Resigned w.e.f. 10 May 2021)	Independent Non-Executive Director	Completed 6 years and 10 months
Mr Senanayakege R Pushpakumara	Independent Non-Executive Director	Completed 4 years
Mr N Vasantha Kumar	Independent Non-Executive Director	Completed 1 year and 9 months
Dr (Ms) R A Perera (Joined w.e.f. 22 September 2020)	Independent Non-Executive Director	Completed 6 months

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	The Board comprised of five Independent Non-Executive Directors out of a total of nine Directors in the Board as at the end of the financial year.
4 (5)	Alternate Director	Complied	No such situation has arisen during the year.
4 (6)	Skills and experience of Non-Executive Directors	Complied	All five Non-Executive Directors of the Board possess adequate skills and experience to contribute to the Board in effectively discharging its obligations. The details of the level of experience of each Non-Executive Director have been set out on pages 54 and 55 in this Report.
4 (7)	Non-Executive Directors in the quorum of the meetings	Complied	The 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	The composition of the Board by category of Directors, Executive Directors and Independent Non-Executive Directors has been disclosed in this Report on pages 54 and 55.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
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	In addition to the requirements of the Section 5 (1) of the Corporate Governance Direction the Company is in compliance with the Direction No. 05 of 2020 (Amendments to the Finance Companies Corporate Governance Direction No. 03 of 2008) with regard to the age of the Directors.
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 the delegation process	Complied	The 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)	The Chairman is an Independent Non-Executive Director. If not, appoint a Senior Director	Complied	The Chairman of Senkadagala Finance PLC, Mr Ravi Dias is an Independent Non-Executive Director.
7 (3)	Relationship between Chairman, CEO, and the 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)	The role of the Chairman	Complied	The 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. The Board Secretary prepares the agenda for Board meetings under the 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. The 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. The Chairman does not engage in activities involving the direct supervision of Key Management Personnel.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
8. Board appointed committees			
8 (1)	Board committees	Complied	There are four Board-appointed subcommittees namely the Audit Committee, the Integrated Risk Management Committee, the Remuneration Committee and the 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)	The Audit Committee	Complied	Mr Raja Senanayake, a Fellow Member of CA Sri Lanka 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 a finance background. The details of the Audit Committee are set out in the Audit Committee report on pages 77 and 78.
8 (3)	The Integrated Risk Management Committee	Complied	IRMC consists of one Independent Non-Executive Director, two Executive Directors including the 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 79 of this Annual Report.
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 into 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 81 of this Annual Report.
10. Disclosures			
10 (1) (a)	Financial reporting as per regulatory requirements and applicable accounting standards	Complied	The 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	The Financial Statements are published in all three languages in the newspapers.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
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 94. (b) Statement of Internal Control by the Board is given on page 100. (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 54 and 55. (e) Fees and remuneration paid by the Company to the Directors in aggregate is given on pages 95 and 187 of the Financial Statements. (f) There were no accommodations granted to related parties during the year. (g) The details of the aggregate values of remuneration paid by the Company to its Key Management Personnel are disclosed on page 187. (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. The 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 five Non-Executive Directors as at the end of the year and it was more than one-third of the Board of Directors.
7.10.2	Independent Directors	Complied	All five Non-Executive Directors were Independent Directors as well. The 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 76. A brief profile of each Director has been set out on pages 54 and 55. 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 into 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 80 of this Annual Report.
7.10.6	Audit Committee	Complied	The Audit Committee consists of three Independent Non-Executive Directors at the end of the financial year. The Report of the Audit Committee including its composition, policy and scope has been set out on pages 77 and 78 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	There were 11 Board meetings during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 76.
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. – The 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 when there was a requirement to remove the Secretaries of the Company.
A.1.5	Independent judgement of Directors	Adopted	The 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	The Board of Directors of the Company dedicates sufficient time to review Board papers and call for additional information and clarifications, if required. They also follow up on actions taken for issues discussed at the meetings.
A.1.7	Training for Directors	Adopted	All Directors are given the opportunity to get trained. Specific training on the financial services industry is also available by way of presentations to the Board and participating programmes organised by CBSL, etc.

Number	Corporate governance principle	Adoption status	Level of adoption

A.2 Chairman and Chief Executive Officer

At Senkadagala Finance PLC, the Chairman is responsible for conducting the business of the Board while the 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 The Chairman's role

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

A.3.1	The 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 alert 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 54 and 55). These Directors have 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 five Non-Executive Directors and four Executive Directors as at the end of the year.

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.
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.

Number	Corporate governance principle	Adoption status	Level of adoption
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 a 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

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

A.6.1	Information to the Board by Management	Adopted	The 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, a 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 discussions at Board meetings.

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 applicable	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.

Number	Corporate governance principle	Adoption status	Level of adoption
A.9 Appraisal of Board performance The 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	The Board performance evaluation is being carried out as detailed in the 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 the nature of expertise of all the Directors have been set out on pages 54 and 55 in this Report. Please refer the table given on page 76 for directorship status, Board meeting, and other committee meeting attendance by the Directors of the Company.
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 the 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

The 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 76, 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 76 of this Annual Report under the 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.

Number	Corporate governance principle	Adoption status	Level of adoption
B.1.5	Consultation of the Chairman or the CEO and access to professional advice	Adopted	The Remuneration Committee consults the Chairman about its proposals where necessary. The 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 into account such levels in comparable companies while paying attention to its relative performance.
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 situations did not arise during the year. However, the 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 is not included in the initial contract	Adopted	Such situations did not arise during the year. However, the 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	The Non-Executive Directors' remuneration has been calculated to reflect time commitment, responsibilities of their role, and market practices. No share options are 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 76 The remuneration paid to the Board of Directors is disclosed in aggregate in Note 47.3 to the Financial Statements on page 187.

Number	Corporate governance principle	Adoption status	Level of adoption

C. Relations with shareholders

C.1 Constructive use of the Annual General Meeting and conduct of General Meetings
The 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.
C.1.3	Availability of Board Subcommittees Chairmen at the AGM	Adopted	The Chairman of the Board ensures that Chairmen of all subcommittees namely, the Audit Committee, the Remuneration Committee, the Integrated Risk Management Committee, and the 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
The 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 the 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 on 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 on the website of the respective organisation 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 communicates it 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.

Number	Corporate governance principle	Adoption status	Level of adoption
C.3 Major and material transactions			
Directors should disclose all major and material transactions to shareholders.			
C.3.1	Major transactions	Not applicable	A Process has been implemented to capture and disclose any materiel transactions either through its Audited Financial Statements or in interim publications or by making an announcement to the Colombo Stock Exchange.

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.

Number	Corporate governance principle	Adoption status	Level of adoption
D.1.1 and D.1.2	The 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 the Department of Inland Revenue.
D.1.3	The Board's responsibility to obtain relevant declarations from CEO and CFO on the Financial Statements	Adopted	"The annual report of the Board of Directors" given on pages 94 to 99 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 94 to 99.
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 pages 94 and 95 of the Annual Report. The Auditor's reporting responsibility is given in their report on the Financial Statements on pages 101 to 105. The Directors' Statement on Internal Controls is given on page 100 and the Auditor's certification on the Directors' Statement on Internal Controls is given on page 100.
D.1.6	Management Discussion and Analysis in the Annual Report	Adopted	Pages 18 to 52 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 a situation did not arise 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 into the system of accounts, keep proper records on them and make necessary disclosures in the Financial Statements accordingly.

Number	Corporate governance principle	Adoption status	Level of adoption
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 the Company's assets.			
D.2.1	The 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. the 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 79. The Directors' Statement on Internal Controls is given on page 100.
D.2.2	Risk assessment	Adopted	The Risk Management Report on pages 82 to 91 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, the 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. The Audit Committee once satisfied reports to the Board on the effectiveness of the internal control systems and based on that the Board issues the "Directors' Statement on Internal Control" Report which is given on page 100. The External Auditor reviews this statement independently and certifies it.
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 100.
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.			
D.3.1	The composition of the Audit Committee	Adopted	The Audit Committee comprised of three Independent Non-Executive Directors including its Chairman during the financial year. The Audit Committee Report is given on pages 77 and 78 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. 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.
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 pages 77 and 78. The Audit Committee has undertaken an 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 pages 77 and 78.

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 comprised of two Independent Non-Executive Directors including its Chairman during the year. The Related Party Transactions Review Committee Report is given on page 81 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. The Related Party Transactions Review Committee Report is given on page 81 of this Annual Report.

D.5 Code of Business Conduct and Ethics
The 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.
D.5.2	Ensuring price sensitive information is promptly identified and reported	Adopted	The Company has a process to ensure timely disclosure of price sensitive information as per the CSE regulations.

Number	Corporate governance principle	Adoption status	Level of adoption
D.5.3	Share purchase by Directors and Key Management Personnel	Adopted	The 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 the above-mentioned Code of Conduct and Ethics.

D.6 Corporate governance disclosures
The 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 56 to 81 satisfies the requirement.

E. Institutional investors

E.1 Shareholder voting
Institutional shareholders have a responsibility to make intelligent use of their votes to ensure 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
The Company should encourage institutional investors to give due weightage 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	The 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 at 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.

G. Internet of things and cybersecurity

G.1-G.5 The Company ensures authorised access to all internal and external networks. DGM IT acts as the CISO of the Company.

H. Environment, society and government

The 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**		11*	03*	03*	03	02*
Mr W M R S Dias	Chairman Independent Non-Executive Director	11/11	–	–	–	–
Mr L Balasuriya	Managing Director/ Chief Executive Officer Executive Director	11/11	03/03	–	03/03	–
Dr A Balasuriya	Director – Operations Executive Director	08/11	–	–	–	–
Dr M Balasuriya (Deceased)	Director – Planning Executive Director	03/06	–	–	–	–
Ms L Fernando	Director – Human Resources Executive Director	11/11	–	–	–	–
Mr Senanayakege R Pushpakumara	Independent Non-Executive Director	11/11	03/03	–	03/03	02/02
Mr D T P Collure (Resigned w.e.f. 10 May 2021)	Independent Non-Executive Director	11/11	03/03	03/03	03/03	02/02
Mr S D Bandaranayake	Director/Additional Chief Executive Officer Executive Director	11/11	03/03	03/03	03/03	02/02
Mr N Vasantha Kumar	Independent Non-Executive Director	11/11	03/03	–	03/03	
Dr (Ms) R A Perera (Appointed w.e.f. 22 September 2020)	Independent Non-Executive Director	07/07	–	–	–	–

**Attended/Eligible to attend – Only eleven Board meetings were held in the financial year 2020/21. A Board meeting was not held for the month of May 2020 due to the COVID-19 pandemic. Also, only three Audit Committee meetings, three Integrated Risk Management Committee meetings and two Related Party Transactions Review Committee meetings could be held during the year due to work related limitations imposed by health authorities from time to time due to COVID -19 pandemic.*

*** Out of the eleven Board meetings held for the year, nine were held virtually. Further, two Audit Committee meetings, three Integrated Risk Management Committee meetings, two Remuneration Committee meetings and one Related Party Transaction Review Committee meeting were also held virtually. Remuneration Committee meeting and one Related Party Committee meeting were also held virtually.*

****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 makes recommendations to the Board of Directors on matters regarding the Internal and the External Auditors including their independence, performance, terms of engagement and remuneration.

Composition

The Audit Committee comprised of the following Directors:

- Mr Senanayakege R Pushpakumara (FCA) BCom (Special) (USJ) PG Dip (BMgt) – Independent Non-Executive Director Chairman of the Audit Committee
- Mr D T P Collure (Resigned w.e.f. 10 May 2021) – Independent Non-Executive Director
- Mr N Vasantha Kumar – Independent Non-Executive Director

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 54 and 55 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 76 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 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, the Company's Internal Auditor also has been appointed by the Audit Committee.

The Audit Committee has undertaken the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. The Financial Statements of the year under review have been audited by Messrs KPMG, Chartered Accountants. Permitted non audit related services were carried out in line with the Company's policy on obtaining non-audit services from external auditors which was formulated in keeping with the regulatory requirements. The Audit Committee ensured that the provision of such limited services did not impair the independence and objectivity of external Auditors and that work was assigned in such manner as to prevent any conflict of interest. Also the Audit Committee had meetings with the External Auditors without the presence of Executive Directors as per the corporate governance requirements.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, be reappointed as the external Auditor of the Company for the year ending 31 March 2022, subject to the approval of shareholders at the Annual General Meeting. The Audit Committee's selection and review of the external Auditors was based on capability, resource availability of the firm and their level of independence from the Company and its Board of Directors. Also this reappointment was considered and complied with the requirements of CBSL Corporate Governance Direction No.3 of 2008 and the relevant Guidelines issued for the Panel of External Auditors of Licensed Finance Companies. The fees payable to the Auditors for the financial year 2020/21 were recommended by the Audit Committee and approved by the Board.

Senanayakege R Pushpakumara
Chairman
Audit Committee

5 July 2021

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 of 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 (Resigned w.e.f. 10 May 2021) – Independent Non-Executive Director
- Mr N Vasantha Kumar – Independent Non-Executive Director

(Brief profiles of the Directors are set out on pages 54 and 55 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

5 July 2021

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 Senanayakege R Pushpakumara – Independent Non-Executive Director, Chairman of the Remuneration Committee
- Mr D T P Collure (Resigned w.e.f. 10 May 2021) – Independent Non-Executive Director
- Mr N Vasantha Kumar – Independent Non-Executive Director

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 54 and of 55 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

The number of meetings and attendance of the members of such meetings are set out on page 76 of this Annual Report.

Access to professional advice

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

Senanayakege R Pushpakumara
Chairman
Remuneration Committee

5 July 2021

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 Senanayakege R Pushpakumara – Independent Non-Executive Director, Chairman of the Related Party Transactions Review Committee
- Mr D T P Collure (Resigned w.e.f. 10 May 2021) – Independent Non-Executive Director
- Mr S D Bandaranayake – Executive Director/ Additional Chief Executive Officer

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, the 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 a 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 2020/21

The Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors. Details of related party transactions of the Company during the above period are disclosed in Note 46 to the Financial Statements.

Committee meetings

The number of meetings and attendance of the members of such meetings are set out on page 76 of this Annual Report.

Declaration

A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 55 of the Annual Report.

Senanayakege R Pushpakumara
Chairman
Related Party Transactions Review Committee

5 July 2021

RISK MANAGEMENT

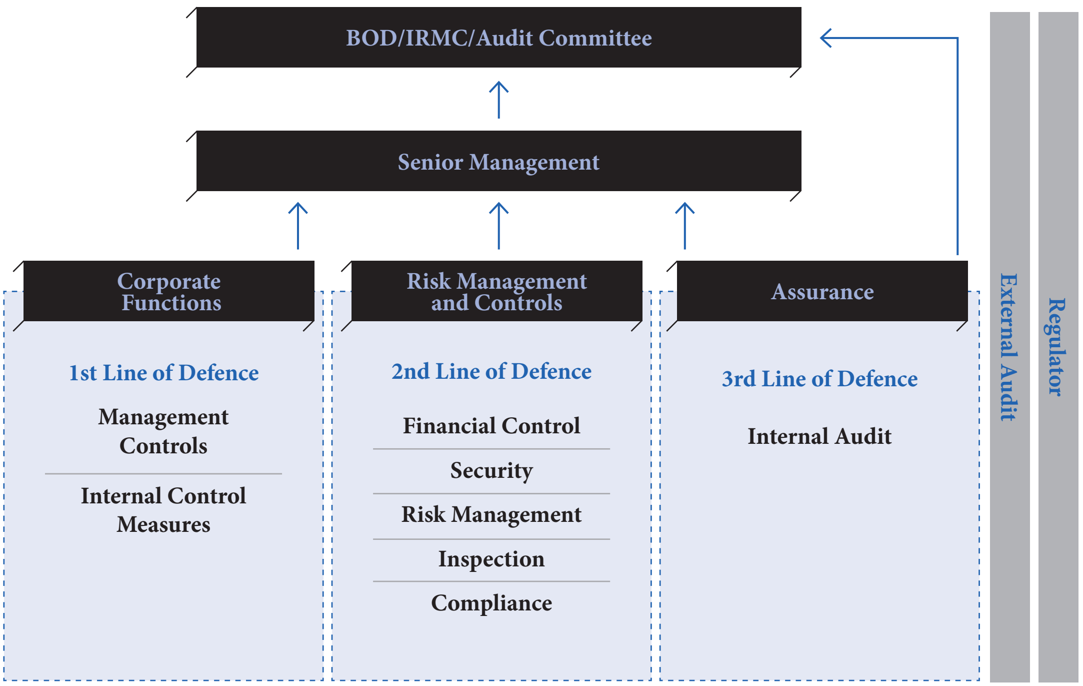
At a time when even unforeseen risks can materialise, the critical importance of effective risk management and sound governance for the success of a business cannot be over emphasised. It is more so for financial institutions, as their business model is centred on financial intermediation and maturity management. Effective risk management is fundamental and paramount in ensuring business continuity and sustainable returns.

Developments in the business environment such as technological advancements, cybersecurity concerns and threats, tightened regulations and supervisory controls, volatile economic conditions and competitor behaviour continue to create new challenges to organisations. Social developments such as demographic changes, changes in customer perceptions, dynamic customer requirements also enhance the imminent risks associated with strategic decision-making. Events such as the outbreak of the COVID-19 pandemic, require certain businesses to rethink their entire business model, emphasising the importance of having robust and dynamic 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 proactively identified and meticulously managed. The framework allows line managers and specialists 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, has provided a simple but effective technique which has enhanced clarity regarding risk and controls by the organisation. This allows the Management to tackle risks in a systematic manner, resulting in an effective risk management system.

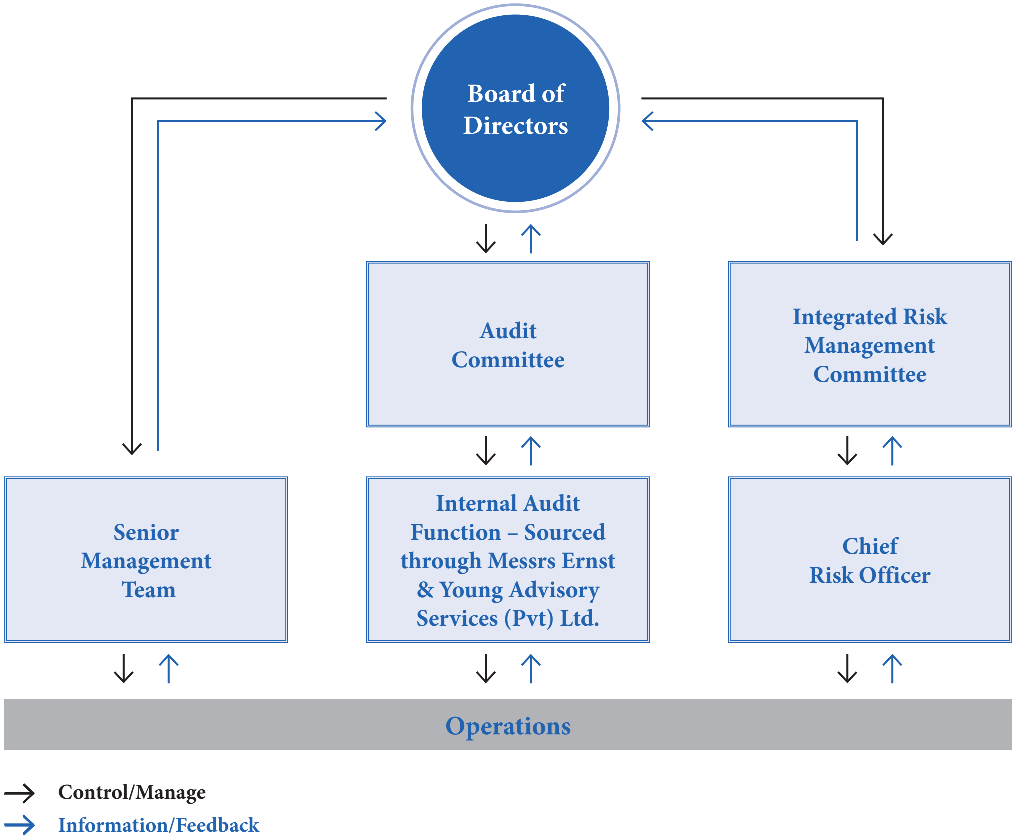


Risk governance

The principal role of risk governance is assumed at the Board level, as the Board holds the ultimate responsibility for risk management. With this holistic approach, the overall risk strategy is defined and the corporate risk objectives are set at Board level ensuring 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, with the participation of the Senior Management team 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 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 modifies the corporate risk appetite, the risk management controls and policies based on such 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 prompting a risk culture within the organisation. Controls are streamlined on an ongoing basis to identify and counter day-to-day risks as well as long-term strategic risks. The responsibility of managing these risk criteria 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.

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.

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.

Independent assurance

Senkadagala Finance has a continuous internal audit process, sourcing the 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.

Continuous monitoring and follow-up action are carried out to ensure remedial action taken are properly implemented. In-depth independent review and assurance 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

Effect of the COVID-19 outbreak on the Sri Lankan economy was evident by the negative growth recorded during the year 2020. Restrictions on imports, prolonged business closure, extension of moratoria, heightened regulatory controls made the year very challenging. As a result of these developments, the financial Sector witnessed a weak demand for credit growth, deteriorated asset quality, rising impairment costs, diminishing interest margins, escalating costs ultimately leading to drop in profitability.

In the global arena, effective roll out of vaccines improved the prospects for economic growth in the developed markets towards the latter part of the year, while underdeveloped economies struggled to secure sufficient doses of the vaccine to create a positive impact. Continued disruption to international travel and trade, heightened cybersecurity concerns, privacy and information security breaches were risks that materialised in the global arena. Spillover effects of these further deteriorated the economic condition in the country, ultimately threatening business continuity of certain industries and entities.

Risk event	Impact to the Company	Risk mitigation techniques
General economic down-turn	Decrease in demand for new business	– Identify niche customer segments and industries for business promotion
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	Reduced interest margins to maintain competitiveness	– Continuous evaluation of product pricing in line with market trends – Reprice funding to match with current market rates – Secure long-term funding to setup a low cost structure
Prolonged business closure	Inability of physical interactions with employees, customers and other stakeholders for day-to-day operations and recovery	– Set up an Internet Payment Gateway (IPG) enabling online payments through Company website – Set up/developed new lines for internal and external communications with all stakeholders – Extended the remote access capabilities to employees working from home
Cybersecurity threats	Increased risk of data security and business disruption	– Introduced state-of-the-art cybersecurity measures – Sourced expert advice to detecting potential threats and shortcomings – Introduced new security measures to safeguard against identified and potential threats

Risk types

Key risk areas such as credit risk, liquidity risk, market risk, and operational risk implications are monitored on a regular basis. Following are the key risk types affecting 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

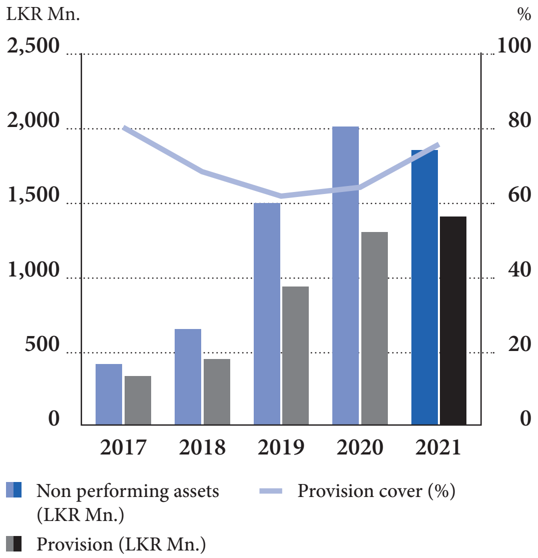
Credit risk is potential financial losses due to failure of counterparties to discharge their contractual obligations. Credit risk may materialise in the form of default risk or concentration risk. Financial institutions, engaged in financial intermediation are highly susceptible to credit risk. It is an integral part of finance business. Meticulous credit risk management is vital to optimise the risk return trade-off for such businesses.

Majority of the assets of the Company are exposed to credit risk and the maximum exposure as at 31 March 2021 was LKR 27,562 Mn., primarily consisting of finance leases and other loans and advances. Hence, managing this risk is a critical function for the Company.

The Company has in place a robust credit 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:

Non-performing loans and provision cover



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 visit by Recovery Officer
- Follow-up action
- Restructure loans
- Voluntary handover
- Allow third party transfers to creditworthy customers

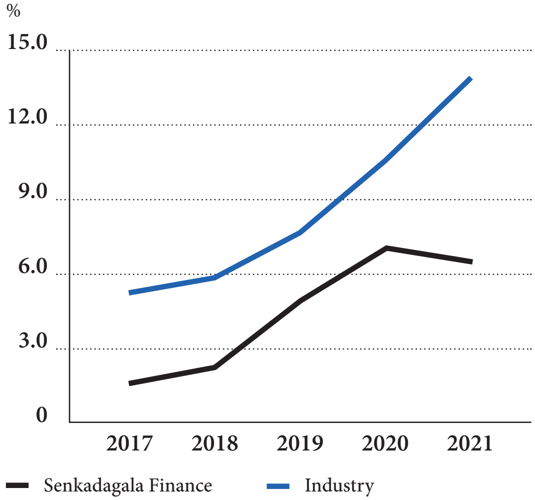
Legal department

- Letter 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 and the Board 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 economic downturn. Senkadagala Finance too experienced this and as a result, the gross NPA ratio was recorded at 6.47% at the year end. However, this was lower than the 7.03% recorded in March 2020 and the Company continued to maintain its NPAs at a level well below the industry average of 13.9% for the year under review.

Gross NPA ratio



**Industry figures are as at 31 December for the preceding year*

Market risk

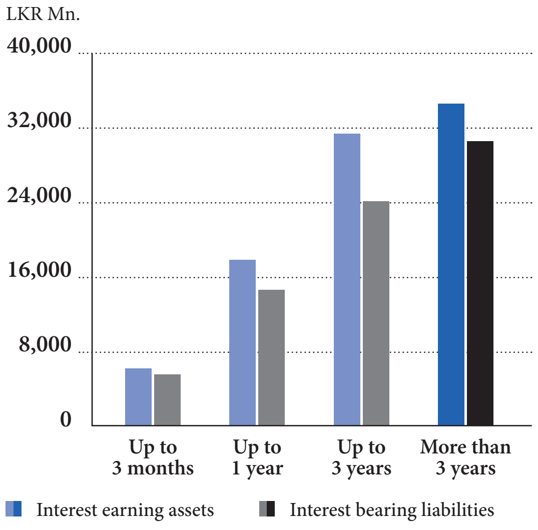
Market risk is losses incurred as a result of unfavourable movements in market factors such as interest rates, tradable equity prices, exchange rates and commodity prices. Probable losses vary with the volatility of the underlying variable and the extent of exposures.

Risk type	Description	Risk mitigation objectives	Risk mitigation techniques
Interest rate risk	Losses due to unfavourable movement of interest rates	Maintain an optimal net interest spread	– Meticulous asset and liability management – Setting risk tolerance levels – Continuous environmental scanning – Carrying out yield curve analysis – Periodical review of the interest rates offered – Explore alternate funding sources – Reprice assets and liabilities to make use of favourable trend in the market
		Strike a balance between floating and fixed rated borrowings	– Reprice 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)

Risk type	Description	Risk mitigation objectives	Risk mitigation techniques
Equity price risk	Losses due to volatility of exchange traded equity and debt instruments	Maintain the equity related risk at a minimum level	– Maintain equity investments within the risk tolerance level. – Set stop-loss limits to minimise losses. – Mark to market of instruments periodically 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
Foreign exchange risk	Materialisation of losses due to adverse movements in the foreign currency exchange rates	Minimise transaction losses	– No overnight positions of foreign currency maintained – Continuously educate employees on counterfeit notes in circulation and other possible fraudulent activities
		Minimise translation losses	– Swap cash flows to minimise the exchange risk exposure – Hedge to lessen the effects of the foreign currency borrowings – Regularly review the effectiveness of the hedge
Commodity price risk	Adverse movements in commodity prices	Minimise exposure to commodities	– Minimal exposure to such risk due to nature of operations

In managing interest rate risk, the Company focuses on controlling the repricing 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. Low market interest rates created a downward pressure on net margins during the year under review. Nevertheless, repricing and securing new low cost funding enabled the Company to maintain the net interest margin at 8.44% compared to 8.82% of last year. Company also managed to maintain interest rate gaps between interest-earning assets and interest-bearing liabilities at favourable levels.

Analysis of cumulative maturity gap



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; even major players in the finance business have failed due to liquidity mismanagement, from time to time. Therefore meticulous liquid assets management is vital for a financial institution's success.

Prolonged business closure coupled with dampened recoveries created a tight liquidity situation for many NBFIs during the COVID-19 lockdowns. However, proactive measures adopted by the Management enabled Senkadagala Finance to manage its working capital without any difficulties.

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 have also been lined up. Senkadagala Finance has continuously adhered to CBSL regulations on liquid assets. Following are the key liquidity ratios stipulated by the CBSL and the respective Company ratios;

Liquidity ratio	Regulatory requirement (%)	As at 31 March 2021 (%)	As at 31 March 2020 (%)
Government securities to average deposit liabilities ratio	5.00	11.25	13.22
Liquid assets to fixed deposits and CDs	6.00	23.01	34.84
Liquid assets to savings deposits	10.00	452.25	750.96
Liquid assets to unsecured senior borrowings	5.00	60.69	144.46

Operational risk

Losses arising due to inadequate or failed internal processes, people and systems as a result of 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 potential losses.

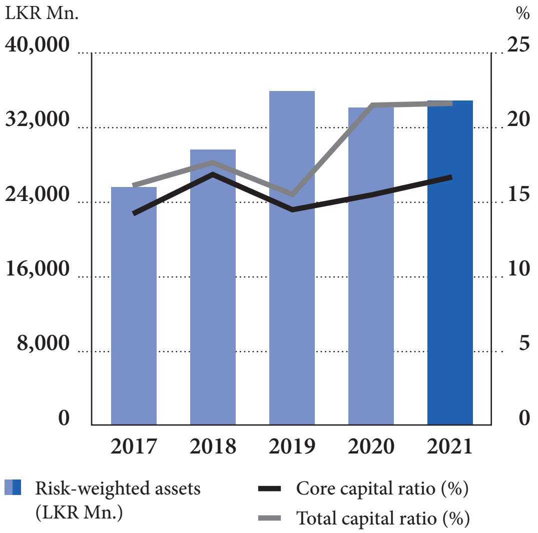
Risk type	Description	Risk mitigation objectives	Steps taken to evade operational risk
Internal controls	Losses due to lapses in internal controls	Eliminate internal fraud	– Robust internal control systems are in place – Accountability – IT backed controls are in place – Authority limits hardcoded to system controls – A strong risk culture – Procedures for reviews and control – Whistle-blowing Policy
		Evade external fraud	– Dynamic customer screening process – Upgraded information system security
		Enhance employment practices and workplace 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 on changes to market conditions and business processes

Risk type	Description	Risk mitigation objectives	Steps taken to evade operational risk
Technology related risk	Risk associated with operations, involvement and adoption of information technology within an organisation	Minimise system downtime	– System development and upgrades – Well trained systems support team – Online system support
		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	Minimise business disruption and system failures	– Disaster Recovery Site in place enabling continuous operations with minimal downtime – Business Continuity Plan – Data backups and backup servers
		Minimise losses due to damage to physical assets	– Comprehensive insurance covers – Regular staff training on workplace safety measures
Strategic risk	Losses arising due to strategic decisions	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	Comply with all regulatory restrictions and controls	– Incorporate regulatory limits and restrictions into internal controls – Assign responsibility to functional managers – Compliance function – Regular reports to the Board of Directors – External assurance sourcing Messrs Ernst & Young Advisory Services (Pvt) Ltd.
Reputation risk	Loss of earnings, profitability, capital, or brand image due to negative publicity	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 50 to 51 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 4,569 Mn. for operational risk under the Basic Indicator Approach.

In April 2021, the Company successfully concluded a rights issue, raising LKR 362.4 Mn. This would help to improve the Tier 1 capital position of the Company.

Risk-weighted assets and capital position



Unawatuna Beach – a stretch of pristine beach littered with cafés and hotels, tourists local and foreign, a symbol of the country's greatest natural and economic assets. | ***Photography by Damith Mendis***

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ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

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 2021 to the shareholders, which was approved by the Board of Directors on 5 July 2021.

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 No. 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 03.

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.

All operations of Newest Capital were discontinued during the financial year 2018/19. In March 2019 the leasing license of the Company was revoked by the CBSL and it is in the process of being wound up.

On 4 March 2020 Senkadagala Finance PLC acquired 100% shareholding of Candor Asset Management (Pvt) Ltd., now known as Senfin Asset Management (Pvt) Ltd., a company licensed by the Securities and Exchange Commission of Sri Lanka to manage unit trust funds and discretionary portfolios.

There have been no changes in the principal activities of the Company and of the Group during the financial year.

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 to 11), the Managing Director/CEO's Review (on pages 12 to 15), Business Model (on pages 17 to 23), and Our Story in 2020/21 (on pages 25 to 51) 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 island wide. There were no new branches or service centres opened during the financial year.

Directors' responsibility for financial reporting

The Financial Statements of the Company and the Group duly approved by two Directors are given on pages 106 to 219.

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 2021 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 was 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 the Listing Rules of the 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 2021. The Auditor's Report issued thereon is given on page 101 to 105 of this Annual Report.

Accounting policies

The accounting policies adopted in preparing and presenting of these Financial Stamens are given on pages 115 to 135 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 2021 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 Section 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 46 of this Report.

Remuneration and other benefits of Directors

Directors' remunerations in respect of the Company and in respect of the Group is LKR 20,290,575/- (2020 – LKR 21,221,430/-) for the financial year under review.

Related party transactions

The Directors have disclosed the transactions that could be classified as related party transactions in terms of Sri Lanka Accounting Standard – LKAS 24, "Related Party Disclosures", in the Financial Statements, and accordingly given in Note 46 on page 185 of this Annual Report.

The Directors confirms that the transactions carried out with the related parties during the year ended 31 March 2021 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and such transactions have been reviewed by the Related Party Transactions Review Committee of the Company and observations of the Committee have been communicated to the Board on a regular basis.

Donations

A sum of LKR 345,000/- (2020 – LKR 859,084/-) was paid out by way of donations during the financial year under review.

Income

The income generated by the Company during the financial year comprise of the following:

	Company		Group	
	2021 LKR	2020 LKR	**2021 LKR**	2020 LKR
Interest income	**5,978,561,933**	6,533,974,238	**5,979,719,312**	6,534,686,186
Fee and commission income	**56,147,623**	83,589,169	**241,095,601**	209,140,021
Other income	**307,446,312**	137,122,558	**213,393,375**	60,204,072
Total	**6,342,155,868**	6,754,685,965	**6,434,208,288**	6,804,030,279

Further analysis of which is given in Note 4, 5, 7 and 9 to 11 of the Financial Statements on pages 136 to 138 of this Report.

Profit and appropriations

Details of appropriation of profit of the Company is given below:

	2021	2020
Profit before income taxation	**707,345,054**	528,729,404
Income taxation paid	**(152,599,979)**	(300,898,341)
Profit for the period	**554,745,075**	227,831,063
Other comprehensive income/(loss) net of income tax	**(6,332,008)**	(12,267,248)
Balance brought forward	**3,388,308,343**	3,290,248,392
Adjustments	**–**	(33,652,556)
Profit available for appropriation	**3,388,308,343**	3,472,159,651
Appropriated as follows, Transfers to statutory reserve fund	**30,000,000**	15,000,000
Dividends paid	**–**	68,851,308
Unappropriated profit carried forward	**3,906,721,410**	3,388,308,343

Dividends

There were no dividend payments for the year compared to a payout ratio of 30.22% of 2020. Details on dividend declarations, payments, and the dividend policy are available in shareholder and investor capital on page 45 of this Report.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 16 on page 141 and Note 38 on page 179 of this Report.

Reserves

The aggregate reserves of the Company as at 31 March 2021 amounted to LKR 4,372 Mn., the aggregate reserves as at 31 March 2020 were LKR 3,822 Mn. Movement in reserves during the year is given in Statement of Changes in Equity on page 110 of this Report.

Capital expenditure

The total capital expenditure for the year amounted to LKR 136.3 Mn. (2020 – LKR 205.7 Mn.).

Details of property, plant and equipment are available on pages 161 – 170 of this report. Details relating to the depreciation charge for the year are also available on pages 161 and 164.

Market value of freehold assets

The value of the freehold property and investment property of the Company have been obtained from the reports issued by an external independent property valuer Mr K M U Dissanayake dated 13 March 2020 and 27 June 2020. The valuer has 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, and number of buildings are given in note 27.2 and note 28.9 of the Financial Statements on pages 162 and 169 of 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 2021. No new shares were issued during the year under review. However, 5,176,790 new shares were issued subsequent to the end of the financial year, raising LKR 362,375,300/- in the form of a rights issue and were listed on 22 April 2021.

The Company does not have any other categories of shares in issue.

Details of the stated capital are given in Note 43 of the Financial Statements on page 183 of this Report.

Debentures

There were no new issues of debentures during the financial year under review.

Details of debentures in issue as at 31 March 2021 are given in detail in Note 35 and Note 36 of the Financial Statements on pages 177 and 178 respectively. Further information on the listed debentures is given on page 49 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 page 45, under Shareholder and Investor Capital section. The twenty largest shareholders as at 31 March 2021 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 given on pages 54 and 55 of this Report.

Following were the Directors of the Company during the year

- Mr W M R S Dias
- Mr L Balasuriya
- Dr A Balasuriya
- Mrs L Fernando
- Dr M Balasuriya (Deceased on 13 November 2020)
- Mr S D Bandaranayake
- Mr D T P Collure (Retired with effect from 10 May 2021 on reaching the age of 70 years)
- Mr Senanayakege R. Pushpakumara
- Mr N Vasantha Kumar
- Dr (Ms) R A Perera (Appointed with effect from 22 September 2020)

Following were the Directors of the subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd. during the year

- Mr L Balasuriya
- Dr A Balasuriya
- Mrs L Fernando
- Dr M Balasuriya (Deceased on 13 November 2020)
- 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
- Mrs L Fernando
- Mr S D Bandaranayake

Following were the Directors of the subsidiary, Senfin Asset Management (Pvt) Ltd during the year

- Dr P Ramanujam
- Mr D R Abeysuriya
- Mr L Balasuriya (Resigned with effect from 11 June 2021)
- Mr S Balasuriya (Appointed with effect from 8 December 2020)
- Mr D T P Collure (Appointed with effect from 19 May 2021)
- Mr S K Balasuriya (Appointed with effect from 19 May 2021)

Independence of Directors

The Board has carried out a determination of the independence or non-independence status of its Non-Executive Directors in accordance with the Section 7.10.3 of the Continuous Listing Rules of the CSE. Particulars of independence of Directors are set out on pages 54 and 55 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 virtually via video call. Members of each of these committees have attended the meetings on a regular basis. Details of the members and their attendance are given on page 54 and 76 of this Report.

Directors' shareholdings

Details of each Director's shareholding of the Company at the beginning and at the end of the financial year are given below:

	2021		2020	
	Number of shares	% of holding	Number of shares	% of holding
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
Mrs L Fernando and Ms S A Fernando	1,166,232	1.61	1,166,232	1.61
Mrs L Fernando and Mr A R Fernando	1,166,231	1.61	1,166,231	1.61
Mrs 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
Dr M Balasuriya (Deceased on 13 November 2020)	4,172,046	5.76	4,172,046	5.76
Mr S D Bandaranayake	–	0.00	–	0.00
Mr D T P Collure (Retired w. e. f. 10 May 2021)	–	0.00	–	0.00
Mr W M R S Dias	–	0.00	–	0.00
Mr Senanayakege R Pushpakumara	–	0.00	–	0.00
Mr N Vasantha Kumar	–	0.00	–	0.00
Dr (Ms) R A Perera (Appointed w. e. f. 22 September 2020)	–	0.00	–	0.00

Directors' interests in debentures

Details of Debentures held by the Directors of the Company are mentioned in Note 46.3.3 on page 187 of this Report

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

On 28 April 2021 the Company concluded a rights issue, of one (01) ordinary share for every fourteen (14) ordinary shares held, at an issue price of LKR 70.00 per share, with the approval of Central Bank of Sri Lanka and Colombo Stock Exchange.

Further a final dividend of LKR 1.16 per share for the financial year ended 31 March 2021 was recommended by the Board of Directors, subject to the approval by the shareholders at the Annual General Meeting.

In accordance with the LKAS 10 on "Events after the Reporting Period", above transactions are not recognised 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 resolve their remuneration.

Auditor's remuneration, other fees and payables

The Auditors, Messrs KPMG was paid audit fees of LKR 1,597,000/- (2020 – LKR 1,500,000) for the Company and LKR 354,316 (2020 – LKR 411,344/-) for the subsidiary companies for the period under review. In addition they were paid LKR 3,920,602/- (2020 – LKR 3,880,373/-), for permitted non-audit related services of the Company and LKR 177,593 (2020 – LKR 87,555/-) for the subsidiaries respectively. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 7 of 2007.

Amounts pertaining to the audit fee of LKR 1,597,000/- of the Company and LKR 354,316 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 contract 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 82 to 91 of this Report.

Corporate governance

The Board places great emphasis on maintaining effective corporate governance practices, policies and systems are structured accordingly and reviewed time to time to enhance transparency and accountability. The report on corporate governance is given on pages 54 to 76 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 807 employees as at 31 March 2021 (2020 – 797) and 819 (2020 – 805) in the group respectively.

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 of
SENKADAGALA FINANCE PLC

Sgd.
Managers and Secretaries (Private) Limited
Secretaries

Colombo
5 July 2021

DIRECTORS' STATEMENT ON INTERNAL CONTROL

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 "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 ongoing 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,

Sanath D Bandaranayake
Director/Additional CEO

Ravi Dias
Chairman

Senanayakege R Pushpakumara
Chairman of the Board Audit Committee

Colombo
5 July 2021

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

To the shareholders of Senkadagala Finance PLC

Report on the Audit of 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 2021, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 106 to 219.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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

1. Impairment of finance lease and hire purchase and loans and receivables from the customers

Refer to Note 2.8.4 (Significant accounting judgements, estimates and assumptions), Note 3.3.11 (Identification and measurement of impairment of financial assets), Note 22 (Financial assets at amortised cost-finance leases and hire purchase) and Note 23 (Financial assets at amortised cost-loans and receivables from customers) to these financial statements.

Risk description	Our response
As at 31 March 2021, net finance lease and hire purchases and other loans and receivables amounted to LKR 24,735 Mn. and LKR 2,827 Mn. respectively which is 73% of the total assets of the Company. Provision for impairment as at 31 March amounted to LKR 1,434 Mn. and LKR 647 Mn. on finance lease and hire purchases and other loans and receivables respectively. High degree of complexity and judgement are involved in estimating expected credit loss (ECL) on finance lease and hire purchases and other loans and advances to the customers. Company uses both individual impairment assessment and collective impairment assessment. Collective impairment is calculated using internally developed statistical models which are inherently complex, and judgement is required in developing the models. There is a number of key inputs and assumptions used by the Company in applying the requirements of SLFRS 9 to the models including definition of significant increase in credit risk (SICR), selection and input of forward-looking information, past due information, historical loss parameters etc. Since some of these assumptions and inputs are heavily dependent upon the macroeconomic environment, additional adjustments and overlays are also provided to the model to reflect the effects of current economic developments to address known model limitations due to emerging trends in the economy and the portfolios. The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk. Additionally, allowances for individually significant leases and loans exceeding specific thresholds are individually assessed by the Company. These specific allowances are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company in respect of the lease and loan receivables.	Our audit procedures included the following: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of Management's key internal controls over the approval of new lending facilities against the Company lending policies, recording, monitoring of counterparty credit quality and restructuring of lease and loans receivables from customers, the process of the measurement of impairment allowances for lease and loans receivables from customers; • Reconciliation of the data used in the ECL calculation process to gross balances recorded in the general ledger with source systems; • Challenging the validity of the models used and assumptions including staging, probability of default (PD) and loss given default (LGD) adopted by the Company for the calculation of collective impairment allowances; • Assessing and challenging the reasonability of the assumptions used in the ECL model including forward-looking macroeconomic factors with the assistance of KPMG specialists; • 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. • Assessing the ongoing effectiveness of the significant increase in credit risk criteria and independently calculated the staging of loans and leases. • Assessing the adequacy of individual impairment provision by; – Evaluating the criteria used to identify individually significant customers – Obtaining Management's assessment of the recoverability of these exposures and challenged whether individual impairment provisions were appropriate. – On a sample basis, testing large customers based on quantitative thresholds and evaluating those large customers where impairment indicators have been identified by Management.

KPMG

1. Impairment of finance lease and hire purchase and loans and receivables from the customers (Continued)

Risk description	Our response
The disclosures regarding the Company's application of SLFRS 9 and SLFRS 7 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results. Accordingly, due to the significance of the value of the net investment in lease and hire purchase and other loans and advances relative to total assets, subjectivity and complexity of the significant judgements involved and estimation uncertainty associated with the impairment provision calculation, we considered impairment of lease and hire purchase and other loans and advances as a key audit matter.	• Assessing and challenging treatment of COVID-19 impact within the ECL model by, – Assessing the reasonability of the adjustments made to the model due to increase in credit risk of the customers in relation to payment relief (moratorium/debt concessions) granted to the customers – Assessing the completeness of additional allowance overlays incorporated in the model by comparing the risks we identified in the loan and lease portfolios for different industries. • Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; • Assessing the appropriateness of the Company's disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards.

2. IT systems and controls over financial reporting

Risk description	Our response
The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. 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. Key areas of importance are system calculations in relation to significant accounts including interest calculations, updating of the general ledger, interface between different modules within the system etc.	Our procedures included; • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of general IT controls in relation to financial accounting and reporting system involving restrictions on system access, permissions and responsibilities of the authorised users, process for approving changes to the systems etc; • Examining the framework of governance over the Company's IT organisation and the controls over programme 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 specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements; • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transactions volumes as well as IT projects that have a significant impact on business continuity;

KPMG

2. IT systems and controls over financial reporting (Continued)

Risk description	Our response
This is an area of significant risk in our audit due to the dependency of the financial reporting process on the IT systems and controls driven by significant transaction volumes and accordingly identified as a key audit matter.	• Re-performing selected automated computations and comparing the results with the system calculations and the general ledger. • Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

KPMG

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 consolidated 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 Auditors' Report is FCA 3272.

Chartered Accountants

Colombo, Sri Lanka

5 July 2021

STATEMENT OF PROFIT OR LOSS

		Company		Group	
For the year ended 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Gross income	4	**6,342,155,868**	6,754,685,965	**6,434,208,288**	6,804,030,279
Interest income	5	**5,978,561,933**	6,533,974,238	**5,979,719,312**	6,534,686,186
Interest expense	6	**(3,215,269,432)**	(3,681,611,333)	**(3,212,111,045)**	(3,678,265,535)
Net interest income		**2,763,292,501**	2,852,362,905	**2,707,608,267**	2,856,420,651
Fee and commission income	7	**56,147,623**	83,589,169	**241,095,601**	209,140,021
Fee and commission expense	8	**(11,476,609)**	(20,590,104)	**(11,476,609)**	(20,590,104)
Net fee and commission income		**44,671,014**	62,999,065	**229,618,992**	188,549,917
Net gain/(loss) from trading	9	**46,126,377**	(2,296,371)	**46,714,345**	(2,296,371)
Net gain from financial instruments designated at fair value through profit or loss	10	**82,723,932**	10,551,460	**86,951,006**	10,632,974
Other operating income	11	**178,596,003**	128,867,469	**79,728,024**	51,867,469
Net other operating income		**307,446,312**	137,122,558	**213,939,375**	60,204,072
Total operating income		**3,115,409,827**	3,052,484,528	**3,210,620,634**	3,105,174,640
Impairment charges and other credit losses	12	**(496,679,711)**	(499,453,759)	**(496,679,711)**	(499,453,759)
Net operating income		**2,618,730,116**	2,553,030,769	**2,713,940,923**	2,605,720,881
Personnel expenses	13	**(614,184,290)**	(670,054,649)	**(631,320,896)**	(675,116,218)
Depreciation expense		**(413,915,441)**	(438,513,902)	**(415,336,630)**	(439,737,268)
Amortisation expense		**(12,818,255)**	(13,624,109)	**(12,841,963)**	(13,624,109)
Impairment of investment properties		**–**	(1,959,000)	**–**	–
Impairment of intangible assets		**–**	–	**–**	(4,356,872)
Impairment of investment in subsidiaries		**–**	(23,427,937)	**–**	–
Other operating expenses	14	**(628,766,764)**	(682,960,585)	**(638,377,284)**	(688,096,936)
Operating profit before taxation on financial services		**949,045,366**	722,490,587	**1,016,064,150**	784,789,478
Taxes on financial services	15	**(241,700,312)**	(193,761,183)	**(241,700,312)**	(193,761,183)
Profit before income tax		**707,345,054**	528,729,404	**774,363,838**	591,028,295
Income tax expense	16	**(152,599,979)**	(300,898,341)	**(184,480,072)**	(339,326,170)
Profit for the year		**554,745,075**	227,831,063	**589,883,766**	251,702,125
Basic earnings per share	17	**7.65**	3.14	**8.14**	3.47

Figures in brackets indicate deductions.

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

		Company		Group	
For the year ended 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Profit for the year		**554,745,075**	227,831,063	**589,883,766**	251,702,125
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Deferred tax effect on actuarial gain	38	**1,999,582**	4,770,596	**2,182,979**	4,769,601
Acturial loss on defined benefit plans	42.2	**(8,331,590)**	(17,037,844)	**(9,095,745)**	(17,300,178)
Changes in fair value of investments in equity at fair value through other comprehensive income	45	**661,351**	205,919	**661,351**	205,919
Other comprehensive income for the year net of tax		**(5,670,657)**	(12,061,329)	**(6,251,415)**	(12,324,658)
Total comprehensive income for the year		**549,074,418**	215,769,734	**583,632,351**	239,377,467

Figures in brackets indicate deductions.

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

STATEMENT OF FINANCIAL POSITION

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Assets					
Cash and cash equivalents	19	**606,071,689**	718,612,914	**647,544,645**	760,978,541
Deposits with licensed commercial banks	20	**4,591,535,045**	884,788,297	**4,591,535,045**	884,788,297
Repurchase agreements		**576,350,591**	1,001,277,322	**576,350,591**	1,001,277,322
Financial assets held at fair value through profit or loss	21	**508,509,464**	378,817,366	**558,362,192**	391,355,052
Financial assets at amortised cost – Finance leases and hire purchases	22	**24,735,380,314**	24,523,980,655	**24,735,380,314**	24,523,980,655
Financial assets at amortised cost – Other loans and receivables	23	**2,826,704,574**	2,709,029,358	**2,826,979,574**	2,709,259,358
Financial assets measured at fair value through other comprehensive income	24	**15,464,873**	14,803,522	**15,464,873**	14,803,522
Financial assets at amortised cost – Other financial instruments	25	**1,213,462,903**	1,131,895,795	**1,213,462,903**	1,131,895,795
Investments in subsidiaries	26	**328,301,663**	328,301,663	**–**	–
Investment property	27	**361,181,620**	365,410,369	**265,520,108**	269,748,857
Property, plant and equipment	28	**1,535,478,446**	1,744,830,446	**1,540,620,137**	1,747,957,408
Intangible assets	29	**55,119,372**	46,237,627	**55,409,635**	46,237,627
Current tax receivable	39	**–**	6,429,659	**–**	9,487,493
Right-of-use assets	30	**409,875,363**	388,931,384	**409,875,363**	388,931,384
Other assets	31	**139,952,593**	151,179,996	**88,097,162**	114,731,215
Total assets		**37,903,388,510**	34,394,526,373	**37,524,602,542**	33,995,432,526
Liabilities					
Due to banks	32	**7,143,545,886**	5,257,315,384	**7,143,545,886**	5,257,315,384
Financial liabilities at amortised cost – Due to depositors	33	**11,546,422,341**	11,222,611,480	**11,488,567,645**	11,174,910,555
Financial liabilities at amortised cost – Other borrowings	34	**9,792,389,529**	6,432,119,305	**9,792,389,529**	6,432,119,305
Debt securities issued	35	**–**	2,539,828,926	**–**	2,539,828,926
Subordinated debentures	36	**1,768,323,395**	1,779,700,505	**1,768,323,395**	1,779,700,505
Lease liability	37	**377,500,417**	344,723,626	**377,500,417**	344,723,626
Deferred tax liabilities	38	**319,294,434**	402,371,039	**318,583,517**	402,137,961

As at 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Current tax payable	39	**134,333,332**	–	**135,946,025**	–
Amounts due to related company	40	**282,185,096**	282,247,412	**–**	–
Other liabilities	41	**425,034,092**	600,010,438	**435,680,228**	617,456,584
Employee retirement benefits	42	**154,978,998**	123,291,686	**158,819,688**	125,625,819
Total liabilities		**31,944,007,520**	28,984,219,801	**31,619,356,330**	28,673,818,665
Equity					
Stated capital	43	**1,587,862,680**	1,587,862,680	**1,587,862,680**	1,587,862,680
Statutory reserve fund	44	**460,036,033**	430,036,033	**464,997,079**	434,997,079
Fair value reserve	45	**4,760,867**	4,099,516	**4,760,867**	4,099,516
Retained earnings		**3,906,721,410**	3,388,308,343	**3,847,625,586**	3,294,654,586
Total equity		**5,959,380,990**	5,410,306,572	**5,905,246,212**	5,321,613,861
Total liabilities and equity		**37,903,388,510**	34,394,526,373	**37,524,602,542**	33,995,432,526

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
5 July 2021

STATEMENT OF CHANGES IN EQUITY

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Company					
Balance as at 1 April 2019	1,587,862,680	415,036,033	3,893,597	3,256,595,836	5,263,388,146
Profit for the year	–	–	–	227,831,063	227,831,063
Other comprehensive income, net of tax	–	–	205,919	(12,267,248)	(12,061,329)
Total comprehensive income for the year	–	–	205,919	215,563,815	215,769,734
Transactions with equity holders recognised directly in equity					
Dividends paid	–	–	–	(68,851,308)	(68,851,308)
Transfers to reserves	–	15,000,000	–	(15,000,000)	–
Total contributions from and distribution to equity holders	–	15,000,000	–	(83,851,308)	(68,851,308)
Balance as at 31 March 2020	1,587,862,680	430,036,033	4,099,516	3,388,308,343	5,410,306,572
Balance as at 1 April 2020	1,587,862,680	430,036,033	4,099,516	3,388,308,343	5,410,306,572
Profit for the year	–	–	–	554,745,075	554,745,075
Other comprehensive income net of tax	–	–	661,351	(6,332,008)	(5,670,657)
Total comprehensive income for the year	–	–	661,351	548,413,067	549,074,418
Transactions with equity holders recognised directly in equity					
Dividends paid	–	–	–	–	–
Transfers to reserves	–	30,000,000	–	(30,000,000)	–
Total contributions from and distribution to equity holders	–	30,000,000	–	(30,000,000)	–
Balance as at 31 March 2021	**1,587,862,680**	**460,036,033**	**4,760,867**	**3,906,721,410**	**5,959,380,990**

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Group					
Balance as at 1 April 2019	1,587,862,680	419,997,079	3,893,597	3,139,334,346	5,151,087,702
Profit for the year	–	–	–	251,702,125	251,702,125
Other comprehensive income, net of tax	–	–	205,919	(12,530,577)	(12,324,658)
Total comprehensive income for the year	–	–	205,919	239,171,548	239,377,467
Transactions with equity holders recognised directly in equity					
Dividends paid	–	–	–	(68,851,308)	(68,851,308)
Transfers to reserves	–	15,000,000	–	(15,000,000)	–
Total contributions from and distribution to equity holders	–	15,000,000	–	(83,851,308)	(68,851,308)
Balance as at 31 March 2020	1,587,862,680	434,997,079	4,099,516	3,294,654,586	5,321,613,861
Balance as at 1 April 2020	1,587,862,680	434,997,079	4,099,516	3,294,654,586	5,321,613,861
Profit for the year	–	–	–	589,883,766	589,883,766
Other comprehensive income, net of tax	–	–	661,351	(6,912,766)	(6,251,415)
Total comprehensive income for the year	–	–	661,351	582,971,000	583,632,351
Transactions with equity holders recognised directly in equity					
Dividends paid	–	–	–	–	–
Transfers to reserves	–	30,000,000	–	(30,000,000)	–
Total contributions from and distribution to equity holders	–	30,000,000	–	(30,000,000)	–
Balance as at 31 March 2021	**1,587,862,680**	**464,997,079**	**4,760,867**	**3,847,625,586**	**5,905,246,212**

Figures in brackets indicate deductions.

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

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Cash flows from operating activities					
Interest and commission receipts		6,063,429,750	6,498,869,967	6,249,535,107	6,625,132,767
Interest payments		(3,285,015,941)	(3,632,856,744)	(3,281,857,554)	(3,629,510,946)
Recoveries of bad debts	12	49,214,572	50,312,434	49,214,572	50,312,434
Other operating income		54,775,262	35,331,386	54,476,127	35,031,386
Operating expenditure		(965,978,086)	(1,067,006,118)	(975,244,352)	(1,072,142,469)
Rent expenses		(6,680,591)	–	(6,874,991)	–
Cash payments to employees		(587,557,605)	(643,970,245)	(603,951,809)	(649,048,641)
Operating cash flow before changes in operating assets and liabilities (Note A)		1,322,187,361	1,240,680,680	1,485,297,100	1,359,774,531
Changes in operating assets and liabilities					
Net funds (advanced to)/received from customers		(813,040,018)	1,576,456,837	(813,085,018)	1,576,226,837
Net deposits from customers		323,810,861	1,213,635,433	313,657,090	1,217,349,073
Deposits with licensed commercial banks		(3,413,827,160)	466,126,522	(3,413,827,160)	466,126,522
Government and other securities		343,359,623	426,774,993	343,359,623	426,774,993
Other assets		11,227,403	33,355,363	26,634,053	50,650,912
Other liabilities		(95,327,036)	(32,882,654)	(101,040,442)	(29,863,641)
		(3,643,796,327)	3,683,466,494	(3,644,301,854)	3,707,264,696
Net cash flow from operating activities before taxation		(2,321,608,966)	4,924,147,174	(2,159,004,754)	5,067,039,227
Taxes paid	16 & 39	(172,625,637)	(380,021,869)	(199,872,634)	(427,237,793)
Gratuity paid	42	(3,270,963)	(8,403,462)	(3,270,963)	(10,403,462)
Net cash (used in)/generated from operating activities		(2,497,505,566)	4,535,721,843	(2,362,148,351)	4,629,397,972

For the year ended 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Cash flows from investing activities					
Acquisition of subsidiary	26.3	–	(26,729,599)	–	(9,936,414)
Investment in shares of subsidiary	26.3	–	(5,000,001)	–	–
Net investment in trading securities		(841,790)	(202,661,969)	(33,341,790)	(202,661,969)
Dividends received on investments	11	104,591,627	80,067,701	4,591,627	3,367,701
Purchase of property, plant and equipment	28	(114,585,424)	(190,938,699)	(118,021,339)	(191,264,099)
Purchase of intangible assets	29.1	(21,700,000)	(14,730,063)	(22,013,971)	(14,730,063)
Proceeds from sale of property, plant and equipment		27,917,998	32,771,042	27,917,998	32,771,042
Addition of right-of-use assets	30	(29,816,200)	(47,639,813)	(29,816,200)	(47,639,813)
Net cash used in investing activities		(34,433,789)	(374,861,401)	(170,683,675)	(430,093,615)
Cash flows from financing activities					
Subordinated liabilities issued	36	–	1,750,000,000	–	1,750,000,000
Redemption of debentures		(2,413,210,000)	(189,520,000)	(2,413,210,000)	(189,520,000)
Securitised loans obtained		14,453,250,000	1,000,000,000	14,453,250,000	1,000,000,000
Repayment of loans		(9,387,762,086)	(6,695,434,262)	(9,387,762,086)	(6,695,434,262)
Repayment of lease liability	37	(115,811,326)	(105,906,454)	(115,811,326)	(105,906,454)
Dividends paid		–	(67,323,023)	–	(67,323,023)
Net cash generated from/(used in) financing activities		2,536,466,588	(4,308,183,739)	2,536,466,588	(4,308,183,739)
Net increase/(decrease) in cash and cash equivalents		4,527,233	(147,323,297)	3,634,562	(108,879,382)
Cash and cash equivalents at the beginning of the year		521,600,576	668,923,873	563,966,203	672,845,585
Cash and cash equivalents at the end of the year		526,127,809	521,600,576	567,600,765	563,966,203
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	19	606,081,883	718,669,531	647,554,839	761,035,158
Bank overdrafts	32	(79,954,074)	(197,068,955)	(79,954,074)	(197,068,955)
		526,127,809	521,600,576	567,600,765	563,966,203

For the year ended 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Note A					
Reconciliation of operating profit					
Profit before income tax		707,345,054	528,729,404	774,363,838	591,028,295
Depreciation and amortisation		426,733,696	452,138,011	428,178,593	453,361,377
Dividend receipts on investments	11	(104,591,627)	(80,067,701)	(4,591,627)	(3,367,701)
Profit on disposal of fixed assets		(14,923,334)	(13,468,382)	(14,923,334)	(13,468,382)
Provision for defined benefit plan	42.1	26,626,685	26,084,404	27,369,087	26,067,577
Impairment charge on financial assets		455,614,002	322,176,656	455,614,002	322,176,656
Impairment of investment in subsidiaries	26	–	23,427,937	–	–
Impairment of investment property	27	–	1,959,000	–	–
Impairment of intangible assets		–	–	–	4,356,872
Loan losses and write-offs	12	–	57,967,585	–	57,967,585
Gain from auction of pawned articles	12	(434,711)	(1,086,768)	(434,711)	(1,086,768)
Loss on disposal of right-of-use assets		–	1,014,474	–	1,014,474
Net gain from financial instruments designated at FVTPL	10	(82,723,932)	(10,551,460)	(86,951,006)	(10,632,974)
Net loss/(gain) from trading	9	(46,126,377)	2,296,371	(46,714,345)	2,296,371
Gain from foreign currency conversion		(4,305,780)	–	(4,305,780)	–
Interest expense on lease liability	37	58,716,407	44,994,212	58,716,407	44,994,212
Interest accrued on loans and advances		28,720,194	(118,693,441)	28,720,194	(118,693,441)
Accrued interest on borrowings		9,533,120	(23,241,158)	9,533,120	(23,241,158)
Accrued interest on debentures		(137,996,036)	27,001,536	(137,996,036)	27,001,536
Writing off of tax payables		–	–	(1,431,156)	–
Writing off of withholding tax		–	–	149,854	–
		1,322,187,361	1,240,680,680	1,485,297,100	1,359,774,531

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 Companies 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 03.

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 and the Group as at the end of the year were as follows;

Company	807 (31 March 2020 – 797)
Group	819 (31 March 2020 – 805)

1.3 Consolidated financial statement

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2021 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 finance leasing, hire purchase, deposit mobilisation, trade loans, and pledge loans. The fee-based services include vehicle valuations, loan protection, admin charges etc.

Subsidiaries

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

- **Senkadagala Insurance Brokers (Private) Limited**
  The Company holds 100% share capital of Senkadagala Insurance Brokers (Private) Limited and the principal activity of the Company is providing insurance brokering services.
- **Newest Capital Limited**
  The Company acquired 100% 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 ceased all its operations on 31 March 2019 and is in the process of being wound up.
- **Senfin Asset Management (Private) Limited**
  The Company holds 100% share capital of Senfin Asset Management (Private) Limited and the primarily lines of business of the Company are to float, operate and manage unit trusts and to operate as an investment manager to third party portfolios.

1.5 Parent enterprise and ultimate parent enterprise

E W 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, the 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 the 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 Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 05 July 2021.

These Financial Statements include the following components:

- A Statement of Profit or Loss providing the information on the financial performance of the Company and the Group for the year under review. (Refer page 106)
- A Statement of Other Comprehensive Income providing the other comprehensive income of the Company and Group for the year under review. (Refer page 107)
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end. (Refer pages 108 to 109)
- 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. (Refer pages 110 to 111)
- 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. (Refer pages 112 to 114)
- Notes to the Financial Statements comprising accounting policies used by the Company and the Group. (Refer pages 115 to 219)

2.3 Basis of measurement

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

Items	Basis of measurement
Financial instruments measured at fair value through profit or loss	Fair value
Financial instruments measured at fair value through other comprehensive income	Fair value
Employee retirement benefit	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses

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's 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 49. 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 statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.5.1 Reporting date

The Financial Statement of all companies in the Group are prepared for a common financial year, which is ended 31 March.

2.6 Materiality, aggregation and rounding

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".

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on Presentation of Financial Statements.

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.

Financial reporting impact due to COVID-19

Guidance notes on accounting considerations of the COVID-19 outbreak issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) had provided following measures which have been applied in preparation of comparative financial statements as at 31 March 2020.

Expected credit loss assessment

Company has used Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment computed in 31 December 2019 to assess the expected credit losses as at 31 March 2020 due to uncertainties and lack of sufficient information available to make any adjustments to factor the impact of COVID-19. However, the Company has increased the weightage assigned to worst case scenario as at 31 March 2020 to capture potential impact of COVID-19.

Fair value measurement of Financial Assets

As per the guidelines issued by CA Sri Lanka and the provisions in SLFRS 13 – Fair value measurement, there is an impossibility to derive the fair value of financial assets as at 31 March 2020 due to unavailability of reliable information and distress prices. Accordingly, alternative valuation technique was used when determining the market prices of equity securities as at 31 March 2020.

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 the 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.

In preparing the Financial Statements for the year ended 31 March 2021, the Management has made an assessment of Group's ability to continue as a going concern using all available information about the future, in light of the current uncertain economic conditions and market volatility caused due to the COVID-19 outbreak. Further, details on the impact and implications of the COVID-19 outbreak is given in Note 53.1 of these Financial Statements.

2.8.2 Fair value of financial instruments

Fair value is the price that would be received to sell an assets 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 assets 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 assets or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the assets 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. There were no transfers between level of hierarchy during the year.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the assets 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. There were no valuation of land and building done as at reporting date as management believes that there is no material change in fair value of Land and buildings.

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.

Further information about the assumptions made in measuring fair values is included in the following notes 51A and B -Financial instruments.

2.8.3 Financial assets and liabilities classification

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.

2.8.4 Impairment losses on finance lease, hire purchase, loans, and other advances

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard on "Financial Instrument" (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the statement of profit or loss. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. 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.

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 lifetime 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).
- Selection of forward-looking macroeconomic scenarios and their probability weights, to derive economic input into ECL models.

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

2.8.5 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.

2.8.6 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.

2.8.7 Useful life of property, plant and equipment and intangible assets

The Group reviews the residual value, useful life and method of depreciation for property, plant and equipment and method of amortisation for intangible assets 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 and disclosures

The Group has consistently applied the accounting policies to all periods presented in these Financial Statements, except for the changes as set out below.

In these Financial Statements, the Group has applied Sri Lanka Accounting standard – Amendments to SLFRS 3; Definition of a Business, Amendments to LKAS 1 and LAKS 8; Definition of Material, and Amendments to the conceptual framework for financial reporting which became effective for the annual reporting periods beginning on or after 1 January 2020, for the first time.

2.9.1 Amendments to SLFRS 3: Definition of a Business

The Group applied Definition of a Business (Amendments to SLFRS 3) to business combinations whose dates of acquisition are on or after 1 April 2020 in assessing whether it had acquired a business or a group of assets. Amendments to SLFRS 3 to help entities determine whether an acquired set of activities and assets are a business or not. Therefore, whether or not an acquired set of activities and assets are a business, is a key consideration in determining how the transaction should be accounted for. Prior to the amendments, SLFRS 3 stated that a business consists of inputs and processes applied to those inputs that have the ability to create outputs, although outputs are not necessarily required for an integrated set to qualify as a business.

The amendments do not have a material effect on the Group's Financial Statements because the Group has not acquired any subsidiaries during the year.

2.9.2 Amendments to LKAS 1 and LKAS 8: Definition of a Material

Amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of "material" across the standards and to clarify certain aspects of the term "definition" The new definition states that. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.

2.9.3 Amendments to the conceptual frame work for financial reporting

The revised framework was more comprehensive than the old one. Its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures.

While there are other amendments to the existing standards which are also effective from 1 April 2020, those do not have a material effect on the Group/ Separates Financial Statements.

2.10 Accounting for moratorium

Since March 2020 Based on the guidelines issued by Central Bank of Sri Lanka and Company's own initiatives various forms of assistance to customers including debt moratorium were granted.

The moratorium on loan repayment is considered to be a loan non-substantial modification of a financial asset under SLFRS 9. Modifications to the original terms and conditions of the loans due to COVID-19 moratorium did not result in a derecognition of the original loans, if the modification does not result in cash flows that are substantially different. Accordingly based on the change in cash flows discounted at the original EIR, the Company records a Day one loss which have been netted off under the interest income. Accordingly, Day one loss of Rs. 14.4 Mn recognised during the year ended 31 March 2021 under interest income in note 5, representing the difference between the original carrying value of the loan before moratorium and the present value of the revised cash flows (discounted at the original EIR of the contract) at the date of the loan modification.

Proposed accounting treatment for lease contracts is not a lease modification since there is no change in scope or the consideration for the lease. Accordingly, the requirements as per SLFRS 16 - "Leases" is applicable when accounting for lease contracts under moratorium scheme. The lease contracts ware accounted based on the requirements specified in SLFRS 16 – "Leases" and the related changes in the lease payments were accounted as a variable lease payment

3. Significant accounting policies

3.1 Basis of consolidation

The Financial Statements of the Group comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 March 2021. 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 uniform 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.

The group accounts for business combination using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net asset acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchases is recognised in profit or loss immediately. Transaction cost are expensed are incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.1.1 Non-controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly, are disclosed separately as "Non-controlling Interest" measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit. The accounting policies of the subsidiaries are changed when necessary to align them with the policies adopted by the Group. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company

3.1.2 Loss of control

Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which the control commences until the control ceases. When the Group loses control of a subsidiary, a gain or loss is recognised in the statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SLFRSs).The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under Group's accounting policy for financial instruments.

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 statement of profit or loss. 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 statement of profit or loss.

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 borrowings 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 expensed as incurred in the statement of profit or loss. 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.

3.3.2.1 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 statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

3.3.3 Classification and subsequent measurement of financial assets

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.

3.3.3.1 Business model assessment

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 income, 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 Statement of Financial Position 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 effective interest rate with the corresponding interest income being recognised as interest income in statement of profit or loss.

3.3.3.3.2 Finance lease and Hire purchase, loans and other advances at amortised cost

Details of "Finance lease and Hire purchase, loans and other advances at amortised cost" are given in Note 22 and 23.

3.3.3.3.3 Debt and other financial instruments measured at amortised cost

Details of "Debt and other financial instruments measured at amortised cost" are given in Note 25.

3.3.3.3.4 Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 19.

3.3.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include 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

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.

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.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position 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

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 designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial liabilities at fair value through profit or loss FVTPL

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 Statement of Financial Position 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 are 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 Other Comprehensive Income and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the effective interest rate.

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", "Lease liabilities" and "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 effective interest rate 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 effective interest rate. The effective interest rate amortisation is included in "Interest expense" in the statement of profit or loss. Gains and losses also recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

3.3.5 Reclassification of financial assets and liabilities

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 Group 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 effective interest rate is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognised in the Other Comprehensive Income.
- ***To Amortised Cost***
  The fair value on reclassification date becomes the new carrying amount. The effective interest rate 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 Other Comprehensive Income, 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 Other Comprehensive Income is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. Effective interest rate 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.

The Group did not reclassify any of its financial assets or liabilities during the year ended 31 March 2021.

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 statement of profit or loss. However, cumulative gain/ loss recognised in OCI in respect of equity investment securities designated at FVOCI is not recognised in statement of 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 Statement of Financial Position, 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.

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 statement of 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.

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 statement of profit or loss.

3.3.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the 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 effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3.3.10 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Notes 2.8.2.

3.3.11 Identification and measurement of impairment of financial assets

3.3.11.1 Overview of the expected credit loss (ECL) principles

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 12 months expected credit losses 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 instrument.
- 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.

3.4 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.

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 goodwill, 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 statement of profit or loss of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from profit or loss 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 statement of profit or loss.

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.

3.5.1 Interest and similar income and expense

Interest income and expenses for all financial instruments are recorded using the effective interest rate. Effective interest rate 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 effective interest rate, 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 effective interest rate 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.

3.5.2 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.

3.5.3 Dividend income

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

3.5.4 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 in hand, non-restricted current accounts and balances on demand deposits with an original maturity of three months or less.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. 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	% per annum	Useful life
Buildings	5	20 years
Office equipment	10	10 years
Computers and other equipment	25	4 years
Furniture, fixtures and fittings	10	10 years
Motor vehicles	16.67	6 years
Generators	12.5	8 years

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

3.8 Intangible assets

The Group's intangible assets include the value of computer software and licenses. 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 measured at 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	% per annum	Useful life
Computer Software	12	8-9 years

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.

3.8.1 Goodwill

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 is sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the statement of profit or loss.

3.9 Investment property

Property held to earn rental income and property held for capital appreciations 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 and buildings are estimated to have a useful life of 20 years, the depreciation rate adopted is 5% per annum.

3.10 Right of use assets and lease liabilities

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

3.10.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site to its original state, less any lease incentives received.

The right-of-use asset subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following

– Fixed payments including in-substance fixed payments;
– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– Amounts expected to be payable under a residual value guarantee; and
– The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.10.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Amounts receivable under finance leases are included under "Finance lease receivable". Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the provision for impairment. Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as "Hire purchase receivable" Such assets are accounted for in a similar manner as finance leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of other operating income.

3.11 Employee benefits

3.11.1 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 2021, by Piyal S Gunatilleke F.S.A. (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	7.1% p.a.
Basic salary increase for all grades	5.0% p.a.
Retirement age	55 years

The actuarial gain or losses are recognised in the Statement of Other Comprehensive Income 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 years of service in the Group at the rate of 50% of the last drawn salary for each completed year of service.

3.11.2 Defined contribution plan

The Group contributes to the following Schemes:

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.

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 statement of profit or loss net of any reimbursement.

3.13 Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and these are disclosed in note 16.

3.13.1 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.

3.13.2 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 recognised 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.

As per the notice to tax payers and withholding agents on “implementation of proposed changes to the Inland Revenue Act No. 24 of 2017” dated 12 February 2020 issued by Department of Inland Revenue, Income Tax rates of corporates has been revised to 24% from 28% effective from 1 January 2020 pending formal amendments to be made to the Inland Revenue Act. As per the guideline issued by The Institute of Chartered Accountants of Sri Lanka on 23 April 2021, it is considered as substantially enacted as at the reporting date.

Substantively enacted means the Bill introducing the change being taken up at the Parliament for the first reading. The Bill was placed on the order paper of the Parliament for the first reading on 26 March 2021. Accordingly, Financial Statements having a period end after 3 March 2021, should use such proposed tax rules and rates in the Bill for determination of current and deferred tax. Therefore, the tax rate 24% was adopted for the computation of current tax and deferred tax.

3.13.3 Value Added Tax (VAT) on financial services

VAT on financial service is calculated in accordance with Value Added Tax Act No.14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

3.13.4 Nation Building Tax (NBT) on financial services

With effect from 1 January 2014, NBT of 2% was introduced on supply of financial services via an amendment to the Nation Building Tax Act No. 09 of 2009. Up to 30 November 2019, As per Notice published by the Department of Inland Revenue dated 29 November 2019, NBT was abolished with effect from 1 December 2019. NBT was chargeable on the same base used for calculation of VAT on financial services as explained in Notes to the Financial Statements.

3.13.5 Crop Insurance Levy (CIL)

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

3.13.6 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 base used for calculation of VAT on financial services. As per Notice published by the Department of Inland Revenue dated 20 January 2020, DRL was abolished with effect from 1 January 2020. The amount of DRL charged in determining the profit or loss for the period is given in Note 15.

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.

Deposit insurance scheme calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits include 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 Ministries, 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. 3 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 Bank 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).

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 Related part transactions

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures". (Note 46)

3.17 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 SStatements 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 48 where necessary.

3.18 Earnings per share

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.

3.19 Maturity analysis

The Group has disclosed an analysis of assets and liabilities into relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date. (Note 49)

3.20 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.

3.21 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 Group's share of any contingencies and capital commitments of a subsidiary for which the Group is also liable severally or otherwise are also included with appropriate disclosures.

3.22 New accounting standards issued but not yet effective

Several amendments to accounting standards are effective for annual reporting periods beginning on or after 1 April 2020, and early application is permitted. However, the Group has not early adopted the following amendments to accounting standards in preparing these Consolidated Financial Statements as they are not expected to have a significant impact on the Consolidated Financial Statements.

3.22.1 Amendments to SLFRS 16 – COVID-19 related rent concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.

3.22.2 Onerous contracts – Cost of fulfilling a contract (Amendments to LKAS 37)

The amendments specify which cost an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retain earnings or other components of equity, as appropriate. The comparatives are not restated.

3.22.3 Other Standards

The following new and amended standards are not expected to have a significant impact on the Consolidated Financial Statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).
- Reference to Conceptual Framework (Amendments to SLFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).
- Interest Rate Benchmark Reform – Phase 1 and Phase 2 (Amendments to SLFRS 9, LKAS 39, and SLFRS 7)
- Annual improvements to SLFRS 2018-2020.
- SLFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.

4. Gross income

		Company		Group	
For the year ended 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Interest income	5	**5,978,561,933**	6,533,974,238	**5,979,719,312**	6,534,686,186
Fee and commission income	7	**56,147,623**	83,589,169	**241,095,601**	209,140,021
Net gain/(loss) from trading	9	**46,126,377**	(2,296,371)	**46,714,345**	(2,296,371)
Net gain from financial instruments designated at fair value through profit or loss	10	**82,723,932**	10,551,460	**86,951,006**	10,632,974
Other operating income	11	**178,596,003**	128,867,469	**79,728,024**	51,867,469
		6,342,155,868	6,754,685,965	**6,434,208,288**	6,804,030,279

5. Interest income

	Company		Group	
For the year ended 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Cash and short-term funds	**16,980,136**	22,163,691	**18,137,515**	22,875,639
Fixed deposits	**214,975,103**	104,815,520	**214,975,103**	104,815,520
Repurchase agreements	**43,392,488**	127,291,000	**43,392,488**	127,291,000
Financial assets at amortised cost				
– Finance leases and hire purchases	**4,796,742,919**	4,814,280,196	**4,796,742,919**	4,814,280,196
– Commercial loans	**117,412,580**	201,121,634	**117,412,580**	201,121,634
– Personal loans	**32,561,546**	45,473,439	**32,561,546**	45,473,439
– Pawning advances	**238,529,007**	255,067,304	**238,529,007**	255,067,304
– Fixed deposit loans	**11,414,417**	11,937,469	**11,414,417**	11,937,469
– Other financial instruments	**98,634,042**	104,667,470	**98,634,042**	104,667,470
Interest on delayed insurance premium	**84,045,327**	83,875,977	**84,045,327**	83,875,977
Interest on overdue rentals	**323,874,368**	763,280,538	**323,874,368**	763,280,538
	5,978,561,933	6,533,974,238	**5,979,719,312**	6,534,686,186

5.1 Interest income from commercial loans includes LKR 14.4 Mn. impact of modifications made to loans due to debt concessionary schemes implemented by the Company as a measure to support the recovery of customers affected by COVID-19 pandemic. (Refer Note 2.10)

6. Interest expense

	Company		Group	
For the year ended 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Due to banks	**747,453,178**	745,367,934	**747,453,178**	745,367,934
Financial liabilities at amortised cost				
– Due to depositors	**1,076,411,207**	1,278,076,946	**1,073,252,820**	1,274,731,148
– Other borrowings	**900,626,627**	1,075,477,006	**900,626,627**	1,075,477,006
– Commercial paper	**4,283,159**	54,213,643	**4,283,159**	54,213,643
Debt securities issued	**202,268,837**	352,400,832	**202,268,837**	352,400,832
Subordinated liabilities	**225,510,017**	131,080,760	**225,510,017**	131,080,760
Interest expenses on lease liability	**58,716,407**	44,994,212	**58,716,407**	44,994,212
	3,215,269,432	3,681,611,333	**3,212,111,045**	3,678,265,535

7. Fee and commission income

	Company		Group	
For the year ended 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Finance charges	**37,559,343**	41,681,939	**37,559,343**	41,681,939
Loan protection fee	**12,077,330**	38,455,428	**12,077,330**	38,455,428
Commission income	**65,380**	345,178	**185,013,358**	125,896,030
Legal and inspection fee	**6,445,570**	3,106,624	**6,445,570**	3,106,624
	56,147,623	83,589,169	**241,095,601**	209,140,021

8. Fee and commission expense

	Company		Group	
For the year ended 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Commission paid	**1,030,000**	10,261,815	**1,030,000**	10,261,815
Other	**10,446,609**	10,328,289	**10,446,609**	10,328,289
	11,476,609	20,590,104	**11,476,609**	20,590,104

9. Net gain/(loss) from trading

	Company		Group	
For the year ended 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Equities and unit trust investment	**46,126,377**	(2,296,371)	**46,714,345**	(2,296,371)
	46,126,377	(2,296,371)	**46,714,345**	(2,296,371)

10. Net gain from financial instruments designated at fair value through profit or loss

	Company		Group	
For the year ended 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Financial assets designated at fair value through profit or loss	**82,723,932**	10,551,460	**86,951,006**	10,632,974
	82,723,932	10,551,460	**86,951,006**	10,632,974

11. Other operating income

	Company		Group	
For the year ended 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Dividend income	**104,591,627**	80,067,701	**4,591,627**	3,367,701
Profit on disposal of fixed assets	**14,923,334**	13,468,382	**14,923,334**	13,468,382
Rent income	**21,924,362**	19,587,660	**21,624,362**	19,287,660
Other income	**32,833,985**	15,680,096	**34,265,141**	15,680,096
Income from trading foreign currency	**16,915**	63,630	**17,780**	63,630
Gain from foreign currency conversion	**4,305,780**	–	**4,305,780**	–
	178,596,003	128,867,469	**79,728,024**	51,867,469

12. Impairment charges and other credit losses

For the year ended 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Impairment charge/(reversal) on individual impairment					
– Finance leases and hire purchases	22.3	**59,054,163**	(169,276,271)	**59,054,163**	(169,276,271)
– Commercial loans	23.1.1	**(231,771)**	72,834,372	**(231,771)**	72,834,372
		58,822,392	(96,441,899)	**58,822,392**	(96,441,899)
Expected credit losses/(reversal) (ECL)					
– Cash and cash equivalents	19.1	**(46,423)**	49,492	**(46,423)**	49,492
– Deposits with licensed commercial banks	20.1	**(19,235)**	32,682	**(19,235)**	32,682
– Finance leases and hire purchases	22.4	**284,025,685**	351,420,066	**284,025,685**	351,420,066
– Commercial loans	23.1.2	**127,905,933**	45,904,117	**127,905,933**	45,904,117
– Pawning advances	23.3.1	**(2,126,805)**	(1,543,288)	**(2,126,805)**	(1,543,288)
– Other advances	23.4.2	**(12,947,545)**	22,755,486	**(12,947,545)**	22,755,486
		396,791,610	418,618,555	**396,791,610**	418,618,555
Direct write-offs		**–**	57,967,585	**–**	57,967,585
Net loss on sale of repossessed assets		**90,714,992**	170,708,720	**90,714,992**	170,708,720
Gain from auction of pawned articles		**(434,711)**	(1,086,768)	**(434,711)**	(1,086,768)
Recovery of loans previously written-off		**(49,214,572)**	(50,312,434)	**(49,214,572)**	(50,312,434)
		496,679,711	499,453,759	**496,679,711**	499,453,759

13. Personnel expenses

For the year ended 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Salaries and wages	**486,082,757**	480,409,709	**499,574,834**	484,458,394
Directors' emoluments	**19,540,575**	21,221,430	**20,290,575**	21,221,430
Employer's contribution to Employees' Provident Fund	**59,023,310**	57,386,003	**60,665,133**	57,857,445
Employer's contribution to Employees' Trust Fund	**14,755,827**	14,346,501	**15,166,283**	14,464,362
Contribution for defined benefit plan	**26,626,685**	26,084,404	**27,369,087**	26,067,577
Performance incentives	**–**	60,507,708	**–**	60,930,798
Other personnel expenses	**8,155,136**	10,098,894	**8,254,984**	10,116,212
	614,184,290	670,054,649	**631,320,896**	675,116,218

14. Other operating expenses

	Company		Group	
For the year ended 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
External Auditors' remuneration				
– Audit fee and expenses	**1,597,000**	1,500,000	**1,951,316**	1,670,269
– Audit-related services	**3,920,602**	3,880,373	**4,098,195**	4,209,003
Internal Auditors' remuneration	**5,835,014**	5,808,000	**5,835,014**	5,808,000
Legal expenses	**9,316,120**	14,035,103	**9,316,120**	14,035,103
Contribution to deposit insurance scheme of CBSL	**13,962,420**	14,190,853	**13,962,420**	14,190,853
Other administrative expenses	**117,179,933**	143,576,908	**120,404,166**	144,934,454
Establishment expenses	**358,339,179**	438,427,839	**362,192,741**	439,821,992
Selling expenses	**118,616,496**	61,541,509	**120,617,312**	63,427,262
	628,766,764	682,960,585	**638,377,284**	688,096,936

15. Taxes on financial services

	Company		Group	
For the year ended 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Value added tax	**220,091,169**	133,128,050	**220,091,169**	133,128,050
Nation building tax	**3,440,229**	9,550,834	**3,440,229**	9,550,834
Debt repayment levy	**18,168,914**	51,082,299	**18,168,914**	51,082,299
	241,700,312	193,761,183	**241,700,312**	193,761,183

As per Notice published by the Department of Inland Revenue dated 29 November 2019 and 20 January 2020, NBT and DLR abolished respectively with effect from 01 December 2019 and 01 January 2020. However, The Company made payment of LKR 3,440,229/- and LKR 18,168,914/- respectively for NBT and DRL applicable for previous financial periods.

16. Income tax expense

		Company		Group	
For the year ended 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Current tax expense					
Current income tax charge	16.1	179,255,327	355,070,827	211,429,862	387,292,031
Under provision in respect of previous year		10,909,166	–	10,909,166	–
Income tax assessment		43,512,509	–	43,512,509	–
Withholding tax on intercompany dividends		–	–	–	6,300,000
		233,677,002	355,070,827	265,851,537	393,592,031
Deferred tax expense					
Origination of temporary differences		(81,077,023)	(54,172,486)	(81,371,465)	(54,265,861)
		152,599,979	300,898,341	184,480,072	339,326,170

16.1 Reconciliation of the total tax charge

	Company		Group	
For the year ended 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Net profit before tax	707,345,054	528,729,404	774,363,838	591,028,295
Adjustments				
Exempt/allowable income	(649,234,984)	162,370,593	(582,395,581)	238,770,065
Disallowable expenses	1,265,264,061	1,198,738,884	1,266,817,510	1,174,366,044
Allowable expenses	(533,577,686)	(556,293,208)	(534,928,759)	(551,280,939)
Taxable income	789,796,445	1,333,545,673	923,857,008	1,452,883,465
Income tax on profit for the year	179,255,327	355,070,827	211,429,862	387,292,031
Effective tax rate (%)	25.34	67.16	27.30	65.53

17. Earnings per share

17.1 Basic earnings per share

Basic earnings per share have been calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Company		Group	
For the year ended 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Profit attributable to ordinary shareholders of the Company	**554,745,075**	227,831,063	**589,883,766**	251,702,125
Weighted average number of ordinary shares	**72,475,061**	72,475,061	**72,475,061**	72,475,061
Basic earnings per ordinary share	**7.65**	3.14	**8.14**	3.47

17.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the period. Therefore, diluted earnings per share is same as basic earnings per share above.

18. Dividend per share

Dividend per share is calculated by dividing dividend paid to ordinary shareholders of the Company, by the number of ordinary shares in issue.

	Company	
For the year ended 31 March	**2021 LKR**	2020 LKR
Gross dividend paid to ordinary shareholders	**–**	68,851,308
Number of ordinary shares	**72,475,061**	72,475,061
Gross dividend per share	**–**	0.95

19. Cash and cash equivalents

		Company		Group	
As at 31 March	Note	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Cash in hand held in local currency		**119,529,555**	113,726,259	**119,584,555**	113,792,022
Cash in hand held in foreign currency		**73,841**	73,839	**85,470**	73,839
Balances with licensed commercial banks		**486,478,487**	604,869,433	**527,884,814**	647,169,297
Gross cash and cash equivalents*		**606,081,883**	718,669,531	**647,554,839**	761,035,158
Less: Allowance for impairment losses	19.1	**(10,194)**	(56,617)	**(10,194)**	(56,617)
Net cash and cash equivalents		**606,071,689**	718,612,914	**647,544,645**	760,978,541

**Gross cash and cash equivalents are reported in the Statement of Cash Flows.*

19.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Balance at the beginning of the year	**56,617**	7,125	**56,617**	7,125
(Reversal)/charge for the year	**(46,423)**	49,492	**(46,423)**	49,492
Balance at the end of the year	**10,194**	56,617	**10,194**	56,617

20. Deposits with licensed commercial banks

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Fixed deposits		**4,591,631,364**	884,903,851	**4,591,631,364**	884,903,851
Allowance for impairment losses	20.1	**(96,319)**	(115,554)	**(96,319)**	(115,554)
Net deposits with licensed commercial banks		**4,591,535,045**	884,788,297	**4,591,535,045**	884,788,297

20.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Balance at the beginning of the year	**115,554**	82,872	**115,554**	82,872
(Reversal)/charge for the year	**(19,235)**	32,682	**(19,235)**	32,682
Balance at the end of the year	**96,319**	115,554	**96,319**	115,554

21. Financial assets held at fair value through profit or loss

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Quoted equity	21.1	**79,178,617**	79,503,906	**79,178,617**	79,503,906
Quoted unit trust	21.2	**–**	2,346,750	**–**	2,346,750
Unquoted unit trust	21.3	**429,330,847**	296,966,710	**479,183,575**	309,504,396
		508,509,464	378,817,366	**558,362,192**	391,355,052

21. Financial assets held at fair value through profit or loss (Continued)

21.1 Quoted equity

As at 31 March	Note	Company 2021 Number of shares	2021 Cost LKR	2021 Market value LKR	2020 Number of shares	2020 Cost LKR	2020 Market value LKR
Bank, Finance and Insurance							
Central Finance Company PLC		47,817	335,812	3,873,177	47,102	279,327	4,898,608
National Development Bank PLC		792	8,536	52,430	792	8,536	79,200
Commercial Bank of Ceylon PLC		4,975	469,342	291,038	4,862	469,342	461,890
Beverage, Food and Tobacco							
Ceylon Tobacco PLC		3,100	142,017	3,100,000	3,100	142,017	3,410,930
Hotels and Travels							
Aitken Spence PLC		495	3,355	15,197	495	3,355	23,018
Manufacturing							
Royal Ceramics Lanka PLC		20	273	1,118	20	273	1,770
Diversified Holdings							
Hayleys PLC		1,130	7,175	139,668	4,462	164,976	747,831
John Keells Holdings PLC		4,462	164,976	514,915	113	7,175	19,764
Trading							
Lanka Indian Oil Corporation PLC		5,500	148,500	86,900	5,500	148,500	104,500
Portfolio Investment	21.1.1		50,510,288	71,104,174		69,398,435	69,756,395
			51,790,274	79,178,617		70,621,935	79,503,906

Group					
2021			2020		
Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
47,817	**335,812**	**3,873,177**	47,102	279,327	4,898,608
792	**8,536**	**52,430**	792	8,536	79,200
4,975	**469,342**	**291,038**	4,862	469,342	461,890
3,100	**142,017**	**3,100,000**	3,100	142,017	3,410,930
495	**3,355**	**15,197**	495	3,355	23,018
20	**273**	**1,118**	20	273	1,770
1,130	**7,175**	**139,668**	4,462	164,976	747,831
4,462	**164,976**	**514,915**	113	7,175	19,764
5,500	**148,500**	**86,900**	5,500	148,500	104,500
	50,510,288	**71,104,174**		69,398,435	69,756,395
	51,790,274	**79,178,617**		70,621,935	79,503,906

21. Financial assets held at fair value through profit or loss (Continued)

21.1 Quoted equity (Continued)

21.1.1 Portfolio investment

	Company					
As at 31 March	2021			2020		
	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	11,000,000	10,000	1,560,322	8,400,000
Commercial Bank of Ceylon PLC	71	4,722	6,071	70	4,722	6,650
Lanka Ventures PLC	61,800	2,552,579	3,003,480	61,800	2,552,579	2,472,000
Seylan Bank PLC (non-voting)	52,403	2,241,315	2,263,810	50,761	2,241,315	1,715,722
Hatton National Bank PLC (non-voting)	30,908	5,437,291	3,004,258	30,120	5,437,291	4,081,260
People's Insurance Ltd.	100,000	1,508,032	3,060,000	100,000	1,508,032	2,170,000
National Development Bank PLC	–	–	–	16,592	1,709,701	1,659,200
Beverage, Food and Tobacco						
Lanka Milk Foods (CWE) PLC	40,215	4,032,213	6,042,304	40,215	4,032,213	4,025,522
Ceylon Beverage Holdings PLC	2,321	1,936,261	1,809,800	2,321	1,936,261	1,984,919
Chemicals and Pharmaceuticals						
CIC Holdings PLC (non-voting)	60,000	637,438	2,544,000	90,000	3,823,735	4,284,000
Haycarb PLC	76,000	1,331,662	7,068,000	18,300	3,010,621	3,477,000
Plantation						
Kotagala Plantation PLC	–	–	–	15,000	556,151	108,000
Kelani Valley Plantations PLC	30,000	1,293,005	1,125,000	–	–	–
Healthcare						
Ceylon Hospitals PLC (non-voting)	43,838	1,609,492	3,905,966	43,838	1,609,492	2,954,681
Ceylon Hospitals PLC (Voting)	5,992	545,320	606,690	–	–	–
Hotels and Travels						
Taj Lanka Hotels PLC	114,432	3,478,514	1,407,514	114,432	3,478,514	1,647,821
John Keells Hotels PLC	251,000	3,197,111	2,384,500	251,000	3,197,111	2,911,600

	Group					
	2021			2020		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
	10,000	1,560,322	11,000,000	10,000	1,560,322	8,400,000
	71	4,722	6,071	70	4,722	6,650
	61,800	2,552,579	3,003,480	61,800	2,552,579	2,472,000
	52,403	2,241,315	2,263,810	50,761	2,241,315	1,715,722
	30,908	5,437,291	3,004,258	30,120	5,437,291	4,081,260
	100,000	1,508,032	3,060,000	100,000	1,508,032	2,170,000
	–	–	–	16,592	1,709,701	1,659,200
	40,215	4,032,213	6,042,304	40,215	4,032,213	4,025,522
	2,321	1,936,261	1,809,800	2,321	1,936,261	1,984,919
	60,000	637,438	2,544,000	90,000	3,823,735	4,284,000
	76,000	1,331,662	7,068,000	18,300	3,010,621	3,477,000
	–	–	–	15,000	556,151	108,000
	30,000	1,293,005	1,125,000	–	–	–
	43,838	1,609,492	3,905,966	43,838	1,609,492	2,954,681
	5,992	545,320	606,690	–	–	–
	114,432	3,478,514	1,407,514	114,432	3,478,514	1,647,821
	251,000	3,197,111	2,384,500	251,000	3,197,111	2,911,600

21. Financial assets held at fair value through profit or loss (Continued)

21.1 Quoted equity (Continued)

21.1.1 Portfolio investment (Continued)

	Company					
As at 31 March	2021			2020		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
Investment Trusts						
Renuka Holdings PLC (non-voting)	100,000	2,199,708	1,140,000	183,274	4,031,493	2,474,199
Land and Property						
CT Land Development PLC	–	–	–	8,333	111,570	249,990
Manufacturing						
ACL Cables PLC	–	–	–	40,000	2,496,906	2,300,000
Dipped Products PLC	–	–	–	47,500	5,868,703	3,990,000
Ceylon Grain Elevators PLC	70,000	4,653,439	8,260,000	70,000	4,653,439	4,795,000
Power and Energy						
Lanka IOC PLC	219,949	5,130,291	4,179,031	219,949	5,130,291	4,179,031
LVL Energy Fund PLC	150,000	1,061,760	1,455,000	150,000	1,061,760	1,125,000
Diversified Holdings						
Expolanka Holdings PLC	–	–	–	500,000	3,286,400	2,550,000
CT Holdings PLC	5,500	909,830	935,000	5,500	909,830	924,550
Aitken Spence PLC	52,500	2,495,136	2,913,750	52,500	2,495,136	2,441,250
Telecommunications						
Dialog Axiata PLC	230,000	2,694,848	2,990,000	230,000	2,694,848	2,829,000
		50,510,288	71,104,174		69,398,435	69,756,395

Group					
2021			2020		
Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
100,000	2,199,708	1,140,000	183,274	4,031,493	2,474,199
–	–	–	8,333	111,570	249,990
–	–	–	40,000	2,496,906	2,300,000
–	–	–	47,500	5,868,703	3,990,000
70,000	4,653,439	8,260,000	70,000	4,653,439	4,795,000
219,949	5,130,291	4,179,031	219,949	5,130,291	4,179,031
150,000	1,061,760	1,455,000	150,000	1,061,760	1,125,000
–	–	–	500,000	3,286,400	2,550,000
5,500	909,830	935,000	5,500	909,830	924,550
52,500	2,495,136	2,913,750	52,500	2,495,136	2,441,250
230,000	2,694,848	2,990,000	230,000	2,694,848	2,829,000
	50,510,288	71,104,174		69,398,435	69,756,395

21. Financial assets held at fair value through profit or loss (Continued)

21.2 Quoted unit trust

As at 31 March	Company 2021 Number of shares	Cost LKR	Market value LKR	2020 Number of shares	Cost LKR	Market value LKR
Namal Acuity Value Fund	–	–	–	25,000	1,250,000	2,346,750
		–	–		1,250,000	2,346,750

21.3 Unquoted unit trust

As at 31 March	Company 2021 Number of shares	Cost LKR	Market value LKR	2020 Number of shares	Cost LKR	Market value LKR
National Equity Fund	205,559	1,921,491	6,587,563	205,559	1,921,491	4,390,798
Guardian Acuity Equity Fund	2,344,188	21,037,574	22,543,714	2,669,166	45,000,000	33,099,254
Guardian Acuity Money Market Fund	2,058,605	37,340,876	42,137,478	2,309,952	36,328,622	44,885,610
Capital Alliance High Yield Fund	640,188	11,881,066	15,819,697	640,188	11,881,066	14,591,048
Senfin Money Market Fund	14,179,872	200,000,000	215,575,170	14,179,872	200,000,000	200,000,000
Senfin Growth Fund	14,626,700	90,000,000	126,667,225	–	–	–
Senfin Dynamic Income Fund	–	–	–	–	–	–
		362,181,007	429,330,847		295,131,179	296,966,710

Group					
2021			2020		
Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
–	–	–	25,000	1,250,000	2,346,750
	–	–		1,250,000	2,346,750

Group					
2021			2020		
Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
205,559	1,921,491	6,587,563	205,559	1,921,491	4,390,798
2,344,188	21,037,574	22,543,714	2,669,166	45,000,000	33,099,254
2,058,605	37,340,876	42,137,478	2,309,952	36,328,622	44,885,610
640,188	11,881,066	15,819,697	640,188	11,881,066	14,591,048
16,569,952	232,651,947	251,911,325	15,068,786	210,651,945	212,537,686
15,605,473	96,087,968	135,143,398	–	–	–
500,000	5,000,000	5,040,400	–	–	–
	405,920,922	479,183,575		305,783,124	309,504,396

22. Financial assets at amortised cost – Finance leases and hire purchases

As at 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Net investment in finance leases	22.1	**26,125,695,809**	25,520,707,190	**26,125,695,809**	25,520,707,190
Net investment in hire purchase	22.2	**43,486,563**	45,410,368	**43,486,563**	45,410,368
		26,169,182,372	25,566,117,558	**26,169,182,372**	25,566,117,558
Impairment losses					
Provision for individual impairment	22.3	**(126,444,378)**	(67,390,215)	**(126,444,378)**	(67,390,215)
Provision for collective impairment	22.4	**(1,307,357,680)**	(974,746,688)	**(1,307,357,680)**	(974,746,688)
Net investment after impairment		**24,735,380,314**	24,523,980,655	**24,735,380,314**	24,523,980,655

22.1 Finance leases

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Gross investment in leases receivable within one year	**11,894,545,500**	8,539,675,777	**11,894,545,500**	8,539,675,777
Gross investment in leases receivable between one and five years	**17,955,219,441**	21,955,351,872	**17,955,219,441**	21,955,351,872
Gross investment in leases receivable in respect of non-performing leases	**882,190,612**	548,672,479	**882,190,612**	548,672,479
Finance leases granted to tourism industry-non performing	**21,091,357**	27,981,869	**21,091,357**	27,981,869
Repossessed lease receivable	**371,291,107**	786,587,519	**371,291,107**	786,587,519
Interest receivable on facilities under relief measures due to COVID-19	**–**	135,484,761	**–**	135,484,761
Leases receivable in arrears	**1,295,858,909**	1,193,432,096	**1,295,858,909**	1,193,432,096
	32,420,196,926	33,187,186,373	**32,420,196,926**	33,187,186,373
Unearned lease income	**(6,061,709,112)**	(7,565,452,994)	**(6,061,709,112)**	(7,565,452,994)
Initial lease rental	**(2,878,927)**	(3,248,474)	**(2,878,927)**	(3,248,474)
Prepaid lease rentals	**(229,913,078)**	(97,777,715)	**(229,913,078)**	(97,777,715)
Net investment in finance leases	**26,125,695,809**	25,520,707,190	**26,125,695,809**	25,520,707,190

22.2 Hire purchases

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Gross investment in hire purchase receivable in respect of non-performing hire purchase	**28,883,505**	29,904,332	**28,883,505**	29,904,332
Repossessed hire purchase receivable	**14,603,058**	15,505,714	**14,603,058**	15,505,714
Hire purchase receivable in arrears	**–**	322	**–**	322
	43,486,563	45,410,368	**43,486,563**	45,410,368
Unearned hire purchase income	**–**	–	**–**	–
Net investment in hire purchase	**43,486,563**	45,410,368	**43,486,563**	45,410,368
Net investment in finance lease and hire purchase	**26,169,182,372**	25,566,117,558	**26,169,182,372**	25,566,117,558

22.3 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Balance at the beginning of the year	**67,390,215**	236,666,486	**67,390,215**	236,666,486
Charge/(reversal) for the year	**59,054,163**	(169,276,271)	**59,054,163**	(169,276,271)
Balance at the end of the year	**126,444,378**	67,390,215	**126,444,378**	67,390,215
Gross amount of loans individually determined to be impaired	**279,039,069**	267,847,504	**279,039,069**	267,847,504

22.4 Movement in allowance for collective impairment

		Company		Group	
As at 31 March	Note	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Balance at the beginning of the year		**974,746,688**	591,971,520	**974,746,688**	591,971,520
Charge for the year	22.4.1	**284,025,685**	351,420,066	**284,025,685**	351,420,066
Interest income accrued on impaired loans and receivables		**48,585,307**	31,355,102	**48,585,307**	31,355,102
Balance at the end of the year		**1,307,357,680**	974,746,688	**1,307,357,680**	974,746,688

22. Financial assets at amortised cost – Finance leases and hire purchases (Continued)

22.4 Movement in allowance for collective impairment (Continued)

22.4.1 Impairment charge for the year

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Impairment charge on ECL	284,025,685	409,387,651	284,025,685	409,387,651
Net write-offs for the year	–	(57,967,585)	–	(57,967,585)
Impairment charge for the year	284,025,685	351,420,066	284,025,685	351,420,066
Total of individual and collective impairment	1,433,802,058	1,042,136,903	1,433,802,058	1,042,136,903

22.5 Analysis of the impairment for expected credit losses, based on the staging of the underlying finance leases and hire purchases are given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross finance leases and hire purchases 31 March 2021	14,232,828,794	8,579,008,662	3,357,344,916	26,169,182,372
Allowance for collective impairment	(145,377,268)	(406,784,824)	(755,195,588)	(1,307,357,680)
Allowance for individual impairment	–	–	(126,444,378)	(126,444,378)
	14,087,451,526	8,172,223,838	2,475,704,950	24,735,380,314
Gross finance leases and hire purchases 31 March 2020	15,344,035,990	7,954,384,232	2,267,697,336	25,566,117,558
Allowance for collective impairment	(114,632,569)	(389,799,813)	(470,314,306)	(974,746,688)
Allowance for individual impairment	–	–	(67,390,215)	(67,390,215)
	15,229,403,421	7,564,584,419	1,729,992,815	24,523,980,655

23. Financial assets at amortised cost – Other loans and receivables

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Commercial loans	23.1	1,190,279,916	1,141,642,314	1,190,279,916	1,141,642,314
Personal loans	23.2	155,377,024	151,694,623	155,377,024	151,694,623
Pawning advances	23.3	1,145,063,979	1,160,219,554	1,145,063,979	1,160,219,554
Other advances	23.4	335,983,655	255,472,867	336,258,655	255,702,867
		2,826,704,574	2,709,029,358	2,826,979,574	2,709,259,358

23.1 Commercial loans

As at 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Gross investment in commercial loans receivable within one year		**495,038,490**	325,015,260	**495,038,490**	325,015,260
Gross investment in commercial loans receivable between one and five years		**483,315,291**	510,883,774	**483,315,291**	510,883,774
Gross investment in commercial loans receivable in respect of non-performing loans		**810,221,926**	819,423,924	**810,221,926**	819,423,924
Commercial loans granted to tourism industry-non performing		**6,833,677**	21,287,234	**6,833,677**	21,287,234
Interest receivable on facilities under relief measures due to COVID-19		**18,102,990**	4,039,386	**18,102,990**	4,039,386
Commercial loans receivable in arrears		**55,384,637**	57,048,431	**55,384,637**	57,048,431
		1,868,897,011	1,737,698,009	**1,868,897,011**	1,737,698,009
Unearned commercial loan income		**(177,467,094)**	(224,362,043)	**(177,467,094)**	(224,362,043)
Prepaid commercial loan rentals		**(3,937,637)**	(8,187,683)	**(3,937,637)**	(8,187,683)
Net investment in commercial loans		**1,687,492,280**	1,505,148,283	**1,687,492,280**	1,505,148,283
Impairment losses					
Provision for individual impairment	23.1.1	**(141,549,966)**	(141,781,737)	**(141,549,966)**	(141,781,737)
Provision for collective impairment	23.1.2	**(355,662,398)**	(221,724,232)	**(355,662,398)**	(221,724,232)
Net investment in commercial loans after impairment		**1,190,279,916**	1,141,642,314	**1,190,279,916**	1,141,642,314

23.1.1 Movement in allowance for individual impairment

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Balance at the beginning of the year	**141,781,737**	68,947,365	**141,781,737**	68,947,365
(Reversal)/charge for the year	**(231,771)**	72,834,372	**(231,771)**	72,834,372
Balance at the end of the year	**141,549,966**	141,781,737	**141,549,966**	141,781,737
Gross amount of loans individually determined to be impaired	**195,723,575**	145,344,948	**195,723,575**	145,344,948

23. Financial assets at amortised cost – Other loans and receivables (Continued)

23.1 Commercial loans (Continued)

23.1.2 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Balance at the beginning of the year	**221,724,232**	165,046,593	**221,724,232**	165,046,593
Charge for the year	**127,905,933**	45,904,117	**127,905,933**	45,904,117
Interest income accrued on impaired loans and receivables	**6,032,233**	10,773,522	**6,032,233**	10,773,522
Balance at the end of the year	**355,662,398**	221,724,232	**355,662,398**	221,724,232
Total of individual and collective impairment	**497,212,364**	363,505,969	**497,212,364**	363,505,969

23.1.3 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross commercial loans 31 March 2021	**361,813,478**	**397,008,551**	**928,670,251**	**1,687,492,280**
Allowance for collective impairment	**(7,777,580)**	**(33,344,784)**	**(314,540,034)**	**(355,662,398)**
Allowance for individual impairment	**–**	**–**	**(141,549,966)**	**(141,549,966)**
	354,035,898	**363,663,767**	**472,580,251**	**1,190,279,916**
Gross commercial loans 31 March 2020	446,353,472	200,344,839	858,449,972	1,505,148,283
Allowance for collective impairment	(5,126,821)	(11,171,904)	(205,425,507)	(221,724,232)
Allowance for individual impairment	–	–	(141,781,737)	(141,781,737)
	441,226,651	189,172,935	511,242,728	1,141,642,314

23.2 Personal loans

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Gross investment in personal loan receivable within one year	83,857,505	58,790,378	83,857,505	58,790,378
Gross investment in personal loan receivable between one and five years	156,464,672	195,707,496	156,464,672	195,707,496
Gross investment in personal loans receivable in respect of non-performing loans	465,782	177,265	465,782	177,265
Personal loan receivable in arrears	436,980	813,996	436,980	813,996
	241,224,939	255,489,135	241,224,939	255,489,135
Unearned personal loan income	(78,143,948)	(97,311,103)	(78,143,948)	(97,311,103)
Prepaid personal loan rentals	(7,703,967)	(6,483,409)	(7,703,967)	(6,483,409)
Net investment in personal loan	155,377,024	151,694,623	155,377,024	151,694,623

23.3 Pawning advances

As at 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Gross investment in pawning advances		1,063,559,175	1,067,017,809	1,063,559,175	1,067,017,809
Interest receivable from pawning advances		82,051,201	95,874,947	82,051,201	95,874,947
Net investment in pawning advances		1,145,610,376	1,162,892,756	1,145,610,376	1,162,892,756
Impairment losses					
Provision for collective impairment	23.3.1	(546,397)	(2,673,202)	(546,397)	(2,673,202)
Net investment in pawning advances after impairment		1,145,063,979	1,160,219,554	1,145,063,979	1,160,219,554

23.3.1 Movement in allowance for collective impairment

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Balance at the beginning of the year	2,673,202	4,216,490	2,673,202	4,216,490
(Reversal)/charge of the year	(2,126,805)	(1,543,288)	(2,126,805)	(1,543,288)
Balance at the end of the year	546,397	2,673,202	546,397	2,673,202

23. Financial assets at amortised cost – Other loans and receivables (Continued)

23.3 Pawning advances (Continued)

23.3.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross pawning advances 31 March 2021	**1,124,590,221**	**12,846,279**	**8,173,876**	**1,145,610,376**
Allowance for collective impairment	**(168,370)**	**(69,618)**	**(308,409)**	**(546,397)**
	1,124,421,851	**12,776,661**	**7,865,467**	**1,145,063,979**
Gross pawning advances 31 March 2020	1,121,025,836	30,945,705	10,921,215	1,162,892,756
Allowance for collective impairment	(1,624,178)	(635,745)	(413,279)	(2,673,202)
	1,119,401,658	30,309,960	10,507,936	1,160,219,554

23.4 Other advances

		Company		Group	
As at 31 March	Note	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Loans against fixed deposits		**48,541,084**	79,273,677	**48,541,084**	79,273,677
Discounting of cheques		**490,000**	490,000	**490,000**	490,000
Insurance receivables		**410,848,258**	309,209,919	**410,848,258**	309,209,919
Staff debtors		**20,925,665**	21,927,800	**21,200,665**	22,157,800
Sundry debtors		**4,308,428**	6,648,796	**4,308,428**	6,648,796
		485,113,435	417,550,192	**485,388,435**	417,780,192
Impairment losses					
Provision for individual impairment	23.4.1	**(1,906,394)**	(1,906,394)	**(1,906,394)**	(1,906,394)
Provision for collective impairment	23.4.2	**(147,223,386)**	(160,170,931)	**(147,223,386)**	(160,170,931)
Net investment in other advances after impairment		**335,983,655**	255,472,867	**336,258,655**	255,702,867

23.4.1 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Balance at the beginning of the year	**1,906,394**	1,906,394	**1,906,394**	1,906,394
Charge for the year	**–**	–	**–**	–
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	**4,798,428**	7,138,796	**4,798,428**	7,138,796

23.4.2 Movement in allowance for collective impairment

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Balance at the beginning of the year	**160,170,931**	137,415,445	**160,170,931**	137,415,445
Charge for the year	**(12,947,545)**	22,755,486	**(12,947,545)**	22,755,486
Balance at the end of the year	**147,223,386**	160,170,931	**147,223,386**	160,170,931
Total of individual and collective impairment	**149,129,780**	162,077,325	**149,129,780**	162,077,325

23.4.3 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans is given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross loans and advances 31 March 2021	**207,240,572**	**65,173,712**	**212,699,151**	**485,113,435**
Allowance for collective impairment	**(18,079,675)**	**(9,626,504)**	**(119,517,207)**	**(147,223,386)**
Allowance for individual impairment	**–**	**–**	**(1,906,394)**	**(1,906,394)**
	189,160,897	**55,547,208**	**91,275,550**	**335,983,655**
Gross loans and advances 31 March 2020	80,794,503	94,647,301	242,108,388	417,550,192
Allowance for collective impairment	(2,964,762)	(19,746,705)	(137,459,464)	(160,170,931)
Allowance for individual impairment	–	–	(1,906,394)	(1,906,394)
	77,829,741	74,900,596	102,742,530	255,472,867

24. Financial assets measured at fair value through other comprehensive income

Unquoted shares

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 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	**15,174,287**	14,512,936	**15,174,287**	14,512,936
	15,464,873	14,803,522	**15,464,873**	14,803,522

The Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term for strategic purpose.

25. Financial assets at amortised cost – Other financial instruments

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Treasury bills	**1,017,212,400**	939,749,227	**1,017,212,400**	939,749,227
Treasury bonds	**196,250,503**	192,146,568	**196,250,503**	192,146,568
	1,213,462,903	1,131,895,795	**1,213,462,903**	1,131,895,795

26. Investments in subsidiaries – Unquoted

26.1 Senkadagala Insurance Brokers (Pvt) Ltd.

	Company	
As at 31 March	2021 LKR	2020 LKR
(2,000,000 ordinary shares) Holding (%)	**100**	100
Place of business	**No. 437B,1st Floor, Katugastota Road, Kandy**	
Cost	**20,000,000**	20,000,000

26.2 Newest Capital Limited

	Company	
As at 31 March	2021 LKR	2020 LKR
(150,000,000 ordinary shares) Holding (%)	**100**	100
Place of business	**No. 267, Galle Road, Colombo 03**	
Balance at the beginning of year	**281,510,277**	300,000,000
Impairment loss	**–**	(18,489,723)
Balance at the end of year	**281,510,277**	281,510,277

26.3 Senfin Asset Management (Pvt) Ltd.

On 4 March 2020 the Company has acquired 100% ordinary shares of Senfin Asset management (Pvt) Ltd. priorly known as Candor Asset Management (Pvt) Ltd.

	Company	
As at 31 March	**2021 LKR**	2020 LKR
(19,916,303 ordinary shares)		
Holding (%)	**100**	100
Place of business	**No. 267, Galle Road, Colombo 03**	
Initial cost of investment (Number of shares: 18,717,262)	**26,791,386**	26,729,599
Additional investment in shares (Number of shares: 1,199,041)	**–**	5,000,001
Impairment loss	**–**	(4,938,214)
Balance at the end of year	**26,791,386**	26,791,386
	328,301,663	328,301,663

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2021. Accordingly, it was concluded that there is no impairment provision is required to be made in the financial statements as at the reporting date.

27. Investment property

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Cost or valuation				
Balance at the beginning of the year	**386,382,655**	388,341,655	**299,444,424**	299,444,424
Impairment charge for the year	**–**	(1,959,000)	**–**	–
Balance at the end of the year	**386,382,655**	386,382,655	**299,444,424**	299,444,424
Accumulated depreciation				
Balance at the beginning of the year	**20,972,286**	12,460,760	**29,695,567**	21,184,041
Charge for the year	**4,228,749**	8,511,526	**4,228,749**	8,511,526
Balance at the end of the year	**25,201,035**	20,972,286	**33,924,316**	29,695,567
Carrying amount at the end of the year	**361,181,620**	365,410,369	**265,520,108**	269,748,857

27. Investment property (Continued)

27.1 Fully depreciated investment property

The cost of fully depreciated investment property which are still in use as at the Statement of Financial Position date is as follows:

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Buildings	4,141,019	4,141,019	4,141,019	4,141,019

27.2 Information of freehold investment property

27.2.1 Company

Location	Extent		Number of buildings	Valuation	Cost	Carrying value	Cost	Carrying value
	Land	Building		LKR	31 March 2021 LKR	31 March 2021 LKR	31 March 2020 LKR	31 March 2020 LKR
98, Deans Road, Colombo 10	6.000 P	3,220 sq.ft.	1	63,500,000	3,500,000	500,000	3,500,000	500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875 P	2,450 sq.ft.	1	92,050,000	7,542,068	7,040,083	7,542,068	7,040,083
12, Kotugodella Veediya, Kandy Lot 2	18.000 P	850 sq.ft.	1	82,300,000	70,679,827	59,819,811	70,679,827	60,648,560
98, Yatinuwara Veediya, Kandy	7.698 P	2,813 sq.ft.	1	60,250,000	6,060,760	5,421,726	6,060,760	5,421,726
30, Kynsey Road, Colombo 07	20.10 P	12,050 sq.ft.	1	291,800,000	298,600,000	288,400,000	298,600,000	291,800,000
				589,900,000	386,382,655	361,181,620	386,382,655	365,410,369

27.2.2 Group

Location	Extent		Number of buildings	Valuation	Cost	Carrying value	Cost	Carrying value
	Land	Building		LKR	31 March 2021 LKR	31 March 2021 LKR	31 March 2020 LKR	31 March 2020 LKR
98, Deen's Road, Colombo 10	6.000 P	3,220 sq.ft.	1	63,500,000	3,500,000	500,000	3,500,000	500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875 P	2,450 sq.ft.	1	92,050,000	7,542,068	7,040,083	7,542,068	7,040,083
12, Kotugodella Veediya, Kandy Lot 2	18.000 P	850 sq.ft.	1	82,300,000	70,679,827	59,819,811	70,679,827	60,648,560
98, Yatinuwara Veediya, Kandy	7.698 P	2,813 sq.ft.	1	60,250,000	6,060,760	5,421,726	6,060,760	5,421,726
30, Kynsey Road, Colombo 07	20.10 P	12,050 sq.ft.	1	291,500,000	211,661,769	192,738,488	211,661,769	196,138,488
				589,600,000	299,444,424	265,520,108	299,444,424	269,748,857

27.3 Amount recognised in profit or loss

Rental income recognised by the Group from the investment property during the period was LKR 19,044,700/- (2020 – LKR 20,377,900/-) and was included in the other operating income. Maintenance expenses included in establishment expenses in relation to income generating property was LKR 1,602,960/- during the period (2020 – LKR 200,000/-). There are no vacant properties in the Group.

27.4 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by reports from an external independent property valuer, Mr K M U Dissanayake who valued the properties on 13 March 2020 and 27 June 2020. 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 589,600,000/- 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.	The reference range of value for the properties range from LKR 3,500,000/- to LKR 11,250,000/-. Price per square foot for the properties range from LKR 1,500/- to LKR. 5,500/-.	Estimated fair value would increase/(decrease) if; price per perch increases/(decreases) price per square foot increases/(decreases)

28. Property, plant and equipment

28.1 Company

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR
Cost					
As at 1 April 2020	493,786,781	206,668,138	454,462,967	383,977,819	76,012,283
Additions during the year	–	–	23,586,806	16,332,940	6,791,420
Disposals during the year	–	–	–	(5,000)	–
As at 31 March 2021	493,786,781	206,668,138	478,049,773	400,305,759	82,803,703
Accumulated depreciation					
As at 1 April 2020	–	20,591,836	266,802,976	208,145,175	63,631,675
Charge for the year	–	10,974,887	35,863,803	34,148,445	5,839,479
Charge on disposals	–	–	–	(169)	–
As at 31 March 2021	–	31,566,723	302,666,779	242,293,451	69,471,154
Net book value	493,786,781	175,101,415	175,382,994	158,012,308	13,332,549
Cost					
As at 1 April 2019	503,253,979	132,635,359	450,216,295	365,654,550	69,519,301
Additions/transfers during the year	(9,467,198)	74,032,779	12,708,846	22,453,484	6,681,017
Disposals during the year	–	–	(8,462,174)	(4,130,215)	(188,035)
As at 31 March 2020	493,786,781	206,668,138	454,462,967	383,977,819	76,012,283
Accumulated depreciation					
As at 1 April 2019	–	11,640,988	239,679,807	178,399,143	58,495,007
Charge for the year	–	8,950,848	35,331,746	33,213,008	5,324,703
Charge on disposals	–	–	(8,208,577)	(3,466,976)	(188,035)
As at 31 March 2020	–	20,591,836	266,802,976	208,145,175	63,631,675
Net book value	493,786,781	186,076,302	187,659,991	175,832,644	12,380,608

Computer and accessories	Facsimile machine	Generator	Motor vehicles	Photostat machine	Printers	Total
LKR	LKR	LKR	LKR	LKR	LKR	LKR
438,224,076	2,566,248	62,931,218	1,169,774,643	13,187,836	42,948,294	3,344,540,303
9,218,743	55,890	1,287,415	54,371,750	528,400	2,412,060	114,585,424
–	–	(316,589)	(38,267,101)	–	–	(38,588,690)
447,442,819	2,622,138	63,902,044	1,185,879,292	13,716,236	45,360,354	3,420,537,037
400,286,878	1,523,042	46,808,702	542,984,083	11,906,238	37,029,252	1,599,709,857
21,093,850	196,803	3,646,231	195,315,720	690,695	3,172,845	310,942,758
–	–	(283,592)	(25,310,262)	–	–	(25,594,023)
421,380,728	1,719,845	50,171,341	712,989,541	12,596,933	40,202,097	1,885,058,591
26,062,091	902,293	13,730,703	472,889,751	1,119,303	5,158,257	1,535,478,446
431,819,048	2,414,248	62,214,368	1,145,894,540	13,007,716	41,660,929	3,218,290,333
7,023,500	152,000	1,836,261	72,211,390	571,620	2,735,000	190,938,699
(618,472)	–	(1,119,411)	(48,331,287)	(391,500)	(1,447,635)	(64,688,729)
438,224,076	2,566,248	62,931,218	1,169,774,643	13,187,836	42,948,294	3,344,540,303
347,871,885	1,329,968	43,903,456	378,348,801	11,550,052	35,252,480	1,306,471,587
53,033,465	193,074	3,809,299	194,796,106	747,686	3,224,408	338,624,343
(618,472)	–	(904,053)	(30,160,824)	(391,500)	(1,447,636)	(45,386,073)
400,286,878	1,523,042	46,808,702	542,984,083	11,906,238	37,029,252	1,599,709,857
37,937,198	1,043,206	16,122,516	626,790,560	1,281,598	5,919,042	1,744,830,446

28. Property, plant and equipment (Continued)

28.2 Group

	Land LKR	Buildings LKR	Furniture, fittings and fixtures LKR	Office equipment LKR	Air conditioner LKR
Cost					
As at 1 April 2020	493,786,781	206,668,138	455,044,160	384,507,647	76,012,283
Additions during the year	–	–	25,998,721	16,499,940	6,791,420
Disposals during the year	–	–	–	(5,000)	–
As at 31 March 2021	493,786,781	206,668,138	481,042,881	401,002,587	82,803,703
Accumulated depreciation					
As at 1 April 2020	–	20,591,836	267,294,571	208,615,159	63,631,675
Charge for the year	–	10,974,887	35,899,708	34,178,595	5,839,479
Charge on disposals	–	–	–	(169)	–
As at 31 March 2021	–	31,566,723	303,194,279	242,793,585	69,471,154
Net book value	493,786,781	175,101,415	177,848,602	158,209,002	13,332,549
Cost					
As at 1 April 2019	503,253,979	132,635,359	450,785,990	365,821,050	69,519,301
On acquisition of subsidiary	–	–	11,498	363,328	–
Additions/transfers during the year	(9,467,198)	74,032,779	12,708,846	22,453,484	6,681,017
Disposals during the year	–	–	(8,462,174)	(4,130,215)	(188,035)
As at 31 March 2020	493,786,781	206,668,138	455,044,160	384,507,647	76,012,283
Accumulated depreciation					
As at 1 April 2019	–	11,640,988	240,139,030	178,489,148	58,495,007
On acquisition of subsidiary	–	–	8,623	363,328	–
Charge for the year	–	8,950,848	35,355,495	33,229,659	5,324,703
Charge on disposals	–	–	(8,208,577)	(3,466,976)	(188,035)
As at 31 March 2020	–	20,591,836	267,294,571	208,615,159	63,631,675
Net book value	493,786,781	186,076,302	187,749,589	175,892,488	12,380,608

Computer and accessories	Facsimile machine	Generator	Motor vehicles	Photostat machine	Printers	Total
LKR	LKR	LKR	LKR	LKR	LKR	LKR
439,989,006	2,621,128	62,931,218	1,176,902,803	13,318,876	43,080,795	3,354,862,835
10,075,743	55,890	1,287,415	54,371,750	528,400	2,412,060	118,021,339
–	–	(316,589)	(38,267,101)	–	–	(38,588,690)
450,064,749	2,677,018	63,902,044	1,193,007,452	13,847,276	45,492,855	3,434,295,484
402,051,808	1,560,979	46,808,702	547,226,561	11,996,874	37,127,262	1,606,905,427
21,232,496	202,291	3,646,231	196,503,989	703,799	3,182,469	312,363,944
–	–	(283,592)	(25,310,262)	–	–	(25,594,023)
423,284,304	1,763,270	50,171,341	718,420,288	12,700,673	40,309,731	1,893,675,347
26,780,445	913,748	13,730,703	474,587,164	1,146,603	5,183,124	1,540,620,137
432,388,948	2,469,128	62,214,368	1,152,735,800	13,138,756	41,754,930	3,226,717,609
1,195,030	–	–	–	–	–	1,569,856
7,023,500	152,000	1,836,261	72,498,290	571,620	2,773,500	191,264,099
(618,472)	–	(1,119,411)	(48,331,287)	(391,500)	(1,447,635)	(64,688,729)
439,989,006	2,621,128	62,931,218	1,176,902,803	13,318,876	43,080,795	3,354,862,835
348,441,785	1,362,417	43,903,456	381,430,913	11,627,584	35,346,480	1,310,876,808
1,195,030	–	–	–	–	–	1,566,981
53,033,465	198,562	3,809,299	195,956,472	760,790	3,228,418	339,847,711
(618,472)	–	(904,053)	(30,160,824)	(391,500)	(1,447,636)	(45,386,073)
402,051,808	1,560,979	46,808,702	547,226,561	11,996,874	37,127,262	1,606,905,427
37,937,198	1,060149	16,122,516	629,676,242	1,322,002	5,953,533	1,747,957,408

28. Property, plant and equipment (Continued)

28.3 Property, plant and equipment retired from active use

Following fully depreciated property, plant and equipment were retired from active use as at the Statement of Financial Position date.

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Furniture, fittings and fixtures	**–**	6,618,738	**–**	6,618,738
Office equipment	**–**	2,554,905	**–**	2,554,905
Air conditioner	**–**	188,035	**–**	188,035
Computer and accessories	**–**	618,472	**–**	618,472
Photostat machine	**–**	391,500	**–**	391,500
Motor vehicles	**142,482**	–	**142,482**	–
Printers	**–**	1,447,635	**–**	1,447,635
	142,482	11,819,285	**142,482**	11,819,285

28.4 Fully depreciated Property, plant and equipment

The cost of fully depreciated property, plant and equipment which are still in use as at the Statement of Financial Position date is as follows:

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Furniture, fittings and fixtures	**83,597,954**	82,829,687	**83,932,091**	83,105,857
Office equipment	**49,440,211**	46,075,481	**49,803,539**	46,438,809
Air conditioner	**59,662,749**	51,988,895	**59,662,749**	51,988,895
Computer and accessories	**378,519,794**	265,653,655	**380,284,724**	267,417,685
Facsimile machine	**662,900**	641,400	**662,900**	641,400
Generator	**37,428,471**	32,420,500	**37,428,471**	32,420,500
Motor vehicles	**14,217,982**	6,300,464	**14,217,982**	6,300,464
Photostat machine	**11,583,776**	10,171,376	**11,583,776**	10,171,376
Printers	**34,338,793**	29,458,543	**34,432,793**	29,552,543
	669,452,630	525,540,001	**672,009,025**	528,037,529

28.5 Property, plant and equipment pledged as security for liability

There were no items of property, plant and equipment pledged as security for liabilities as at reporting date.

28.6 Temporarily idle property, plant and equipment

There were no any temporarily idle property, plant and equipment as at reporting date.

28.7 Title restriction on property, plant and equipment

There were no restrictions existing on the title of property, plant and equipment of the Group as at reporting date.

28.8 Borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment as at reporting date.

28.9 Information of free hold land and building

28.9.1 Information of free hold land and building – Company

Location	Number of buildings	Extent		Valuation	Cost	Carrying value	Cost	Carrying value
		Land	Building	LKR	31 March 2021 LKR	31 March 2021 LKR	31 March 2020 LKR	31 March 2020 LKR
7/4, Mawilmada Road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq. ft.	35,775,000	13,010,874	7,805,508	13,010,874	7,779,960
Highway Park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq. ft.	45,220,000	30,711,364	25,589,354	30,711,364	26,229,354
92, Deans Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.ft.	81,000,000	24,600,000	23,615,137	24,600,000	24,600,000
No. 255 and 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	3	0 A. 0 R. 13.690 P	8,326 sq.ft.	100,350,000	77,999,400	72,642,710	77,999,400	76,906,198
No. 91B and 93, Colombo Road, Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.ft.	50,100,000	46,799,100	45,844,786	46,799,100	46,513,345
No. 91, Kandy Road, Kurunegala.	1	0 A. 0 R. 18.10 P	8,460 sq.ft.	119,900,000	114,484,181	110,903,391	49,918,600	49,918,600
No. 287/1, Yongamulla, Yakkala	1	0 A. 1 R. 8.50 P	2,262 sq.ft.	13,150,000	12,500,000	11,686,416	12,500,000	12,500,000
No. 14, Kotugodalla Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.ft.	383,900,000	380,350,000	370,800,893	380,350,000	379,800,893
Total				829,395,000	700,454,919	668,888,196	635,889,338	624,248,350

28. Property, plant and equipment (Continued)

28.9 Information of freehold land and building (Continued)

28.9.2 Information of freehold land and building – Group

Location	Number of buildings	Extent Land	Extent Building	Valuation LKR	Cost 31 March 2021 LKR	Carrying value 31 March 2021 LKR	Cost 31 March 2020 LKR	Carrying value 31 March 2020 LKR
7/4, Mawilmada Road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq.ft.	35,775,000	13,010,874	7,805,508	13,010,874	7,779,960
Highway Park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq.ft.	45,220,000	30,711,364	25,589,354	30,711,364	26,229,354
92, Deans Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.ft.	81,000,000	24,600,000	23,615,137	24,600,000	24,600,000
No. 255 and 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	3	0 A. 0 R. 13.690 P	8,326 sq.ft.	100,350,000	77,999,400	72,642,710	77,999,400	76,906,198
No. 91B and 93, Colombo Road, Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.ft.	50,100,000	46,799,100	45,844,786	46,799,100	46,513,345
No. 91, Kandy Road, Kurunegala.	1	0 A. 0 R. 18.10 P	8,460 sq.ft.	119,900,000	114,484,181	110,903,391	49,918,600	49,918,600
No. 287/1, Yongamulla, Yakkala	1	0 A. 1 R. 8.50 P	2,262 sq.ft.	13,150,000	12,500,000	11,686,416	12,500,000	12,500,000
No. 14, Kotugodalla Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.ft.	383,900,000	380,350,000	370,800,894	380,350,000	379,800,893
Total				829,395,000	700,454,919	668,888,196	635,889,338	624,248,350

28.9.3 Measurement of fair value

(i) Fair value hierarchy

The fair value of properties set out above was determined by reports from an external independent property valuer, Mr K M U Dissanayake who valued the properties on 13 March 2020 and 27 June 2020. The valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for the above of LKR 829,395,000/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

28.9.3 Measurement of fair value (Continued)

(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.	The reference range of value for the properties range from LKR 125,000/- to LKR 29,200,000/-. Price per square foot for the properties range from LKR 1,500/- to LKR 7,750/-.	Estimated fair value would increases/(decreases) if: Price per perch increases/(decreases) Price per square foot increases/(decreases)

29. Intangible assets

29.1 Company

	Software	
As at 31 March	2021 LKR	2020 LKR
Cost		
Balance at the beginning of the year	**243,091,023**	228,360,960
Additions during the year	**21,700,000**	14,730,063
Balance at the end of the year	**264,791,023**	243,091,023
Accumulated amortisation		
Balance at the beginning of the year	**196,853,396**	183,229,287
Amortisation for the year	**12,818,255**	13,624,109
Balance at the end of the year	**209,671,651**	196,853,396
Carrying amount	**55,119,372**	46,237,627

29. Intangible assets (Continued)

29.2 Group

As at 31 March	Software LKR	Website LKR	Goodwill LKR	Total 2021 LKR	Total 2020 LKR
Cost					
Balance at the beginning of the year	246,361,389	197,847	–	**246,559,236**	228,360,960
On acquisition of subsidiary	–	–	–	–	7,825,085
Additions during the year	22,013,971	–	–	**22,013,971**	14,730,063
Impairment during the year	–	–	–	–	(4,356,872)
Balance at the end of the year	268,375,360	197,847	–	**268,573,207**	246,559,236
Accumulated amortisation					
Balance at the beginning of the year	200,123,762	197,847	–	**200,321,609**	183,229,287
On acquisition of subsidiary	–	–	–	–	3,468,213
Amortisation for the year	12,841,963	–	–	**12,841,963**	13,624,109
Balance at the end of the year	212,965,725	197,847	–	**213,163,572**	200,321,609
Carrying amount	55,409,635	–	–	**55,409,635**	46,237,627

29.3 Fully-amortised intangible assets

The cost of fully-amortised intangible assets which are still in use as at the Statement of Financial Position date is as follows:

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Software	**140,806,417**	122,198,068	**144,076,784**	125,468,434
Website	–	–	**197,847**	197,847
	140,806,417	122,198,068	**144,274,631**	125,666,281

30. Right-of-use assets

As at 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Balance at the beginning of the year		388,931,384	227,314,563	388,931,384	227,314,563
Additions of right-of-use lease assets during the year		89,871,710	209,551,544	89,871,710	209,551,544
Depreciation charge for the year	30.1	(98,743,931)	(91,378,031)	(98,743,931)	(91,378,031)
Advance payment made during the year for leases	30.2	29,816,200	47,639,813	29,816,200	47,639,813
Disposal during the year		–	(4,196,505)	–	(4,196,505)
Balance at the end of the year		409,875,363	388,931,384	409,875,363	388,931,384

30.1 Amounts recognised in profit or loss

	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Depreciation of right-of-use assets	98,743,931	91,378,031	98,743,931	91,378,031

30.2 Amounts recognised in statement of cash flows

	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Total cash outflow from lease	(29,816,200)	(47,639,813)	(29,816,200)	(47,639,813)

31. Other assets

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Stock of gold specimen	259,200	259,200	259,200	259,200
Western Union MMBL	96,788	546,228	96,788	546,228
Advance payments	42,720,368	93,049,287	43,220,093	93,049,287
Funds held at Orion Fund Management	–	17,554	–	17,554
Deposits	8,862,192	2,175,632	8,872,192	2,240,734
Cash cover	1,278,873	1,278,873	1,278,873	1,278,873
Dividend receivables	55,000,000	38,000,000	–	–
Other	31,735,172	15,853,222	34,370,016	17,339,339
	139,952,593	151,179,996	88,097,162	114,731,215

32. Due to banks

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Bank overdrafts		79,954,074	197,068,955	79,954,074	197,068,955
Assets securitised loans	32.1	7,063,591,812	5,060,246,429	7,063,591,812	5,060,246,429
		7,143,545,886	5,257,315,384	7,143,545,886	5,257,315,384

32.1 Assets securitised loans movement during the year

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
As at the beginning of the year	4,843,872,701	6,857,868,605	4,843,872,701	6,857,868,605
Loans obtained during the year	6,300,000,000	1,000,000,000	6,300,000,000	1,000,000,000
Capital repayment during the year	(4,063,465,179)	(3,013,995,904)	(4,063,465,179)	(3,013,995,904)
Balance before amortised interest payable	7,080,407,522	4,843,872,701	7,080,407,522	4,843,872,701
Amortised interest (receivable)/payable	(16,815,710)	216,373,728	(16,815,710)	216,373,728
As at the end of the year	7,063,591,812	5,060,246,429	7,063,591,812	5,060,246,429

32.1.1 Assets securitised loans

			Company/Group	
Lending institution	Nature of facility	Security	31 March 2021 LKR	31 March 2020 LKR
Short term borrowings				
Commercial bank of Ceylon PLC	Revolving term loan	Lease receivables	1,000,000,000	–
Long term borrowings				
Commercial bank of Ceylon PLC	Revolving term loan/term loans	Lease receivables	2,158,185,300	3,081,112,700
National Development Bank PLC	Term loans	Lease receivables	100,000,000	1,500,000,000
People's Bank	Term loans	USD fixed deposits	3,822,222,222	–
Sampath Bank PLC	Revolving term loan/term loans	Lease receivables	–	236,360,001
MCB Bank Ltd	Term loans	Lease receivables	–	26,400,000
Total for Company/Group			7,080,407,522	4,843,872,701

Lease and hire purchase aggregate portfolio amounting to LKR 2,309,390,239/- (2020- LKR 4,069,802,150/-) have been pledged as security for the other bank loans.

Senkadagala Finance PLC has pleged fixed deposits amount of LKR 4,461,076,156/- to obtain loan from Peoples' Bank.

33. Financial liabilities at amortised cost – Due to depositors

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Saving deposits		**558,617,587**	497,572,036	**558,617,587**	497,572,036
Certificates of deposit	33.1	**10,144,643**	8,626,393	**10,144,643**	8,626,393
Fixed deposits	33.2	**10,977,660,111**	10,716,413,051	**10,919,805,415**	10,668,712,126
		11,546,422,341	11,222,611,480	**11,488,567,645**	11,174,910,555

33.1 Certificates of deposit

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Face value	**10,400,000**	8,700,000	**10,400,000**	8,700,000
Interest in suspense	**(255,357)**	(73,607)	**(255,357)**	(73,607)
	10,144,643	8,626,393	**10,144,643**	8,626,393

33.2 Fixed deposits

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Fixed deposits	**10,650,272,867**	10,319,570,801	**10,592,755,288**	10,272,451,481
Amortised interest payable	**327,387,244**	396,842,250	**327,050,127**	396,260,645
	10,977,660,111	10,716,413,051	**10,919,805,415**	10,668,712,126

34. Financial liabilities at amortised cost – Other borrowings

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Commercial papers	34.1	**312,796,335**	46,710,600	**312,796,335**	46,710,600
Assets securitised loans	34.2	**9,479,593,194**	6,385,408,705	**9,479,593,194**	6,385,408,705
		9,792,389,529	6,432,119,305	**9,792,389,529**	6,432,119,305

34. Financial liabilities at amortised cost – Other borrowings (Continued)

34.1 Commercial papers

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Commercial papers capital outstanding	310,000,000	40,000,000	310,000,000	40,000,000
Amortised interest payable	2,796,335	6,710,600	2,796,335	6,710,600
	312,796,335	46,710,600	312,796,335	46,710,600

34.2 Assets securitised loans

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Assets securitisation loans capital outstanding	4,001,000,000	4,333,050,000	4,001,000,000	4,333,050,000
Borrowings from International Finance Corporation (IFC)	1,170,000,000	1,755,000,000	1,170,000,000	1,755,000,000
Borrowings from Netherland Development Finance Company (FMO)	4,423,059,956	–	4,423,059,956	–
Amortised interest (receivable)/payable	(114,466,762)	297,358,705	(114,466,762)	297,358,705
	9,479,593,194	6,385,408,705	9,479,593,194	6,385,408,705

34.2.1 Assets securitised loans movement during the year

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
As at the beginning of the year	6,088,050,000	8,462,510,000	6,088,050,000	8,462,510,000
Loans obtained during the year	8,153,250,000	–	8,153,250,000	–
Capital repayment during the year	(4,647,240,044)	(2,374,460,000)	(4,647,240,044)	(2,374,460,000)
Balance before amortised interest payable	9,594,059,956	6,088,050,000	9,594,059,956	6,088,050,000
Amortised interest (receivable)/payable	(114,466,762)	297,358,705	(114,466,762)	297,358,705
As at the end of the year	9,479,593,194	6,385,408,705	9,479,593,194	6,385,408,705

34.2.2 Assets securitised loans

Lending institution/Trustee	Nature of facility	Security	Company/Group 31 March 2021 LKR	Company/Group 31 March 2020 LKR
Long term borrowings				
Hatton National Bank PLC	Securitisation loan	Lease receivables	**51,000,000**	793,050,000
Hatton National Bank PLC	Syndication loan 1	Lease receivables		1,120,000,000
Hatton National Bank PLC	Syndication loan 2	Lease receivables	**450,000,000**	2,420,000,000
Hatton National Bank PLC	Syndication loan 3	Lease receivables	**3,500,000,000**	–
International Financial Corporation (IFC)	Term loan	Lease receivables	**1,170,000,000**	1,755,000,000
Netherlands Development Finance Company (FMO)	USD term loans	Lease receivables	**4,423,059,956**	–
Total for Company/Group			**9,594,059,956**	6,088,050,000

Lease and hire purchase aggregate portfolio amounting to LKR 5,633,831,360/- (2020 - LKR 3,702,699,681/-) have been pledged as security for the above loans.

35. Debt securities issued

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
As at the beginning of the year	**2,413,210,000**	2,602,730,000	**2,413,210,000**	2,602,730,000
Redemptions of debentures	**(2,413,210,000)**	(189,520,000)	**(2,413,210,000)**	(189,520,000)
Balance before amortised interest payable	–	2,413,210,000	–	2,413,210,000
Amortised interest payable	–	126,618,926	–	126,618,926
As at the end of the year	–	2,539,828,926	–	2,539,828,926

35.1 Listed unsecured redeemable senior debentures

As at 31 March	Interest payable	Period of issue	Period of maturity	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
2016/17 – Floating rated	Semi-annually	2016/17	2020/21	–	62,270,000	–	62,270,000
2016/17 – Fixed rated 13.75% p.a	Semi-annually	2016/17	2020/21	–	2,350,940,000	–	2,350,940,000
Amortised interest payable				–	126,618,926	–	126,618,926
				–	2,539,828,926	–	2,539,828,926

36. Subordinated debentures

As at 31 March	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
As at the beginning of the year	1,750,000,000	–	1,750,000,000	–
New debt instruments issued	–	1,750,000,000	–	1,750,000,000
Balance before amortised interest payable	1,750,000,000	1,750,000,000	1,750,000,000	1,750,000,000
Amortised interest payable	18,323,395	29,700,505	18,323,395	29,700,505
As at the end of the year	1,768,323,395	1,779,700,505	1,768,323,395	1,779,700,505

Outstanding debentures as at 31 March 2021 consists of 17,500,000 (2019/20 – 17,500,000)) listed unsecured redeemable subordinated rated debentures of LKR 100/- each issued by the Company in August 2019, details of which are given below:

As at 31 March	Interest payable	Period of issue	Period of maturity	Value (LKR) 2021	Value (LKR) 2020
2019/20 – Fixed rated 12.875% p.a.	Semi-Annually	2019/20	2024/25	1,750,000,000	1,750,000,000

37. Lease liability

As at 31 March	Note	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
As at the beginning of the year		344,723,626	199,266,355	344,723,626	199,266,355
Additions during the year		89,871,710	209,551,544	89,871,710	209,551,544
Interest expense recognised in profit or loss	37.1	58,716,407	44,994,212	58,716,407	44,994,212
Payment during the year	37.2	(115,811,326)	(105,906,454)	(115,811,326)	(105,906,454)
Early termination of lease liabilities		–	(3,182,031)	–	(3,182,031)
As at the end of the year		377,500,417	344,723,626	377,500,417	344,723,626

37.1 Amounts recognised in profit or loss

	Company 2021 LKR	Company 2020 LKR	Group 2021 LKR	Group 2020 LKR
Interest expense recognised in profit or loss	58,716,407	44,994,212	58,716,407	44,994,212

37.2 Amounts recognised in statement of cash flows

	Company		Group	
	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Total cash outflow from lease	**(115,811,326)**	(105,906,454)	**(115,811,326)**	(105,906,454)

38. Deferred tax liabilities

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Balance at the beginning of the year	**402,371,039**	461,314,121	**402,137,961**	461,173,423
Amount reversed during the year	**(27,861,284)**	(54,172,486)	**(28,197,775)**	(54,265,861)
Effect of change in tax rate	**(53,215,739)**	–	**(53,173,690)**	–
Total amount reversed to Statement of profit or loss	**(81,077,023)**	(54,172,486)	**(81,371,465)**	(54,265,861)
Amount reversed during the year - Statement of other comprehensive income	**(1,999,582)**	(4,770,596)	**(2,182,979)**	(4,769,601)
Balance at the end of the year	**319,294,434**	402,371,039	**318,583,517**	402,137,961

Deferred tax assets arise due to unutilised tax losses has not been recognised in the Financial Statements of subsidiary of the Group (Senfin Asset Management Private Limited) since it is not probable that future taxable profits will be available against which the Company can utilise the benefit there from. Accordingly, the unrecorded deferred tax assets of the subsidiary as at 31 March 2021 is LKR 18,902,951/- (2020 – LKR 32,542,452/-).

38.1 Reconciliation of net deferred tax liabilities

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Deferred tax – Liabilities				
Property, plant and equipment	**91,590,458**	118,494,584	**91,801,306**	118,567,226
Lease capital balance	**428,130,462**	507,836,703	**428,130,462**	507,836,703
Right-of-use assets	**2,342,922**	1,811,983	**2,342,922**	1,811,983
	522,063,842	628,143,270	**522,274,690**	628,215,912
Deferred tax – Assets				
Retirement benefit obligation	**37,194,960**	34,521,671	**38,116,725**	34,827,391
Unclaimed impairment provision	**165,574,448**	191,250,560	**165,574,448**	191,250,560
	202,769,408	225,772,231	**203,691,173**	226,077,951
Net deferred tax liabilities	**319,294,434**	402,371,039	**318,583,517**	402,137,961

38. Deferred tax liabilities (Continued)

38.1 Reconciliation of net deferred tax liabilities (Continued)

Company

As at 31 March	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
	2021 LKR	2020 LKR	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Deferred tax liabilities on:						
Property, plant and equipment	**91,590,458**	118,494,584	**26,904,126**	2,866,244	**–**	–
Lease capital balance	**428,130,462**	507,836,703	**79,706,241**	(151,246,673)	**–**	–
Unclaimed impairment provision	**–**	–	**–**	8,163,676	**–**	–
Right-of-use assets	**2,342,922**	1,811,983	**(530,939)**	(1,811,983)	**–**	–
	522,063,842	628,143,270	**106,079,428**	(142,028,736)	**–**	–
Deferred tax assets on:						
Retirement benefit obligation	**37,194,960**	34,521,671	**673,707**	4,950,662	**1,999,582**	4,770,596
Unclaimed impairment provision	**165,574,448**	191,250,560	**(25,676,112)**	191,250,560	**–**	–
	202,769,408	225,772,231	**(25,002,405)**	196,201,222	**1,999,582**	4,770,596
Deferred tax effect on comprehensive income			**81,077,023**	54,172,486	**1,999,582**	4,770,596
Net deferred tax liabilities	**319,294,434**	402,371,039				

Group

As at 31 March	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
	2021 LKR	2020 LKR	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Deferred tax liabilities on:						
Property, plant and equipment	**91,801,306**	118,567,226	**26,765,920**	2,889,878	**–**	–
Lease capital balance	**428,130,462**	507,836,703	**79,706,241**	(151,246,673)	**–**	–
Unclaimed impairment provision	**–**	–	**–**	8,163,676	**–**	–
Right-of-use assets	**2,342,922**	1,811,983	**(530,939)**	(1,811,983)	**–**	–
	522,274,690	628,215,912	**105,941,222**	(142,005,102)	**–**	–
Deferred tax assets on:						
Retirement benefit obligation	**38,116,725**	34,827,391	**1,106,355**	5,020,403	**2,182,979**	4,769,601
Unclaimed impairment provision	**165,574,448**	191,250,560	**165,574,448**	191,250,560	**–**	–
	203,691,173	226,077,951	**166,680,803**	196,270,963	**2,182,979**	4,769,601
Deferred tax effect on comprehensive income			**272,622,025**	54,265,861	**2,182,979**	4,769,601
Net deferred tax liabilities	**318,583,517**	402,137,961				

39. Current tax payable/(recoverable)

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Income tax				
Balance at the beginning of the year	2,894,812	27,845,854	(569,887)	33,365,857
Current income tax charge	179,255,327	355,070,827	211,429,862	387,292,031
Under provision inrespect of previous year	10,909,166	–	10,909,166	–
Income tax assessment	43,512,509	–	43,512,509	–
Payments made during the year	(172,625,637)	(349,264,391)	(199,872,634)	(388,245,101)
Economic service charges	–	(23,790,689)	–	(25,544,832)
Withholding tax on interest income	–	(6,966,789)	–	(7,147,860)
Write-off of Withholding tax receivable	–	–	149,854	–
Withholding tax on acquisition	–	–	–	(289,982)
Balance at the end of the year	63,946,177	2,894,812	65,558,870	(569,887)
Other tax liabilities/(receivables)	70,387,155	(9,324,471)	70,387,155	(8,917,606)
	134,333,332	(6,429,659)	135,946,025	(9,487,493)

40. Amounts due to related company

	Company	
As at 31 March	2021 LKR	2020 LKR
Newest Capital Limited	282,185,096	282,247,412
	282,185,096	282,247,412

41. Other liabilities

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Accrued expenditure – Non-interest	13,167,140	7,777,001	14,054,761	8,280,034
Payable to suppliers	339,472,627	401,363,405	339,472,627	401,363,405
Dividend payable	9,333,117	8,875,410	9,333,117	8,875,410
Value added tax payable	–	–	–	1,024,291
Deposit insurance premium	1,226,872	1,218,983	1,226,872	1,218,983
Differed loan protection fee income	18,111,962	21,336,144	18,111,962	21,336,144
Other liabilities	43,722,374	159,439,495	53,480,889	175,358,317
	425,034,092	600,010,438	435,680,228	617,456,584

42. Employee retirement benefits

		Company		Group	
As at 31 March	Note	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Balance at the beginning of the year		**123,291,686**	88,572,900	**125,625,819**	89,419,248
Retirement benefit obligation on acquisition		**–**	–	**–**	3,242,278
Retirement benefit expense recognised in the statement of profit or loss	42.1	**26,626,685**	26,084,404	**27,369,087**	26,067,577
Retirement benefit expense recognised in the statement of other comprehensive income	42.2	**8,331,590**	17,037,844	**9,095,745**	17,300,178
Benefits paid during the year		**(3,270,963)**	(8,403,462)	**(3,270,963)**	(10,403,462)
Balance at the end of the year		**154,978,998**	123,291,686	**158,819,688**	125,625,819

42.1 Retirement benefit expense recognised in the statement of profit or loss

	Company		Group	
For the year ended 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Current service cost	**14,913,975**	15,455,656	**15,453,531**	15,469,422
Interest cost	**11,712,710**	10,628,748	**11,915,556**	10,598,155
Total	**26,626,685**	26,084,404	**27,369,087**	26,067,577

42.2 Retirement benefit expense recognised in the statement of other comprehensive income

	Company		Group	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Actuarial loss for the year	**8,331,590**	17,037,844	**9,095,745**	17,300,178
	8,331,590	17,037,844	**9,095,745**	17,300,178

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 2021. 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	2021	2020
Discount rate	7.1%	9.5%
Salary scale	5.0%	5.0%
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 Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Statement of Profit or Loss 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 profit for the year LKR '000	Sensitivity effect on employment benefit obligation increase/(reduction) in the liability LKR '000
+1%	–	8,406	(8,406)
-1%	–	(7,430)	7,430
–	+1%	(8,192)	8,192
–	-1%	7,376	(7,376)

43. Stated capital

As at 31 March	2021		2020	
	Number of shares	Value (LKR)	Number of shares	Value (LKR)
Issued and fully-paid shares				
At the beginning of the year	72,475,061	1,587,862,680	72,475,061	1,587,862,680
At the end of the year	72,475,061	1,587,862,680	72,475,061	1,587,862,680

43.1 Rights and restrictions of ordinary shares

The shares of the Senkadagala Finance PLC are quoted on the *Diri Savi* Board of Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and voting shares are entitled to one vote per share at General Meetings of the Company. All shares rank equally with regard to the Company's residual assets.

44. Statutory reserve fund

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Balance at the beginning of the year	**430,036,033**	415,036,033	**434,997,079**	419,997,079
Transfers during the year	**30,000,000**	15,000,000	**30,000,000**	15,000,000
Balance at the end of the year	**460,036,033**	430,036,033	**464,997,079**	434,997,079

The reserve fund is maintained in compliance with Direction No. 1 of 2003 of the Central Bank of Sri Lanka (Capital Funds) 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 period 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 30,000,000/-, 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.

45. Fair value reserve

	Company		Group	
As at 31 March	**2021 LKR**	2020 LKR	**2021 LKR**	2020 LKR
Balance at the beginning of the year	**4,099,516**	3,893,597	**4,099,516**	3,893,597
Changes in fair value of investments in equity at fair value through other comprehensive income	**661,351**	205,919	**661,351**	205,919
Balance at the end of the year	**4,760,867**	4,099,516	**4,760,867**	4,099,516

The fair value reserve comprises fair value adjustments of equity investments measured at fair value through other comprehensive income.

46. Related party transactions

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures". Details of related party transactions are reported below:

Name of the company	Nature of transaction	Transaction amount 2021 LKR	Transaction amount 2020 LKR	Balance outstanding as at 31 March 2021 LKR	Balance outstanding as at 31 March 2020 LKR
Parent company					
E W Balasuriya and Company (Private) Limited	Payment of rent expenses	(22,680,000)	(13,975,000)	–	–
	Dividend payment	–	(38,735,737)	–	–
	Reimbursement of expenses on telephone	8,992,500	13,762,500	4,800,000	1,800,000
	Investment in debenture	–	1,266,450,000	(1,203,650,000)	(1,266,450,000)
	Payment of debenture interest	(160,425,528)	(81,973,225)	(13,161,830)	(21,493,831)
	Net funds (paid)/received	(174,113,028)	1,145,528,538	–	–
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	10,153,771	(3,713,642)	(57,517,579)	(47,119,320)
	Deposit interest expense	(3,158,387)	(3,345,798)	(337,117)	(581,605)
	Dividend income	100,000,000	76,700,000	55,000,000	–
	Rent income	300,000	300,000	–	50,000
	Net funds received	107,295,384	69,940,560		
Subsidiary					
Newest Capital Limited	Payment made on behalf of Newest Capital Limited	(62,316)	(149,507)	–	–
	Net funds paid	(62,316)	(149,507)		
	Balance payable			(282,185,096)	(282,247,412)
Subsidiary					
Senfin Asset Management (Pvt) Ltd.	Initial investment in ordinary shares	–	(26,729,599)	–	–
	Additional investment in ordinary shares	–	(5,000,001)	–	–
	Reimbursement of expenses on paper advertistment	125,658	–	–	–
	Net funds received/(paid)	125,658	(31,729,600)		

46. Related party transactions (Continued)

Name of the company	Nature of transaction	Transaction amount 2021 LKR	Transaction amount 2020 LKR	Balance outstanding as at 31 March 2021 LKR	Balance outstanding as at 31 March 2020 LKR
Company under common control					
Senkadagala Hotels Limited	Net investment in fixed deposits	(137,217)	12,972,692	(82,871,121)	(82,325,473)
	Deposit interest expense	(8,688,363)	(8,619,647)	(2,506,828)	(3,189,693)
	Rent income	1,350,000	1,800,000	–	435,000
	Payment of rent expense	(1,381,680)	(927,000)	(115,140)	(115,140)
	Reimbursement of expenses on electricity	(463,350)	(630,180)	(79,782)	(95,724)
	Net funds (paid)/received	(9,320,610)	4,595,865	–	–
Company under common control					
Thompson's Beach Hotel Ltd.	Net investment in fixed deposits	(3,985,316)	2,654,314	–	(3,637,919)
	Deposit interest expense	(157,950)	(58,577)	–	(347,397)
	Net funds (paid)/received	(4,143,266)	2,595,737	–	–

46.1 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 33% of the gross revenue of the Company.

46.2 Non-recurrent related party transactions

Details of non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, whichever is lower, is as follows:

Name of the company	Nature of transaction	Transaction amount 2021 LKR	Transaction amount 2020 LKR	Balance outstanding as at 31 March 2021 LKR	Balance outstanding as at 31 March 2020 LKR
Parent company					
E W Balasuriya & Company (Pvt) Ltd.	Investment in subordinated listed debenture – August 2019	–	1,266,450,000	1,203,650,000	1,266,450,000

E W Balasuriya & Company (Pvt) Ltd. was an identified institutional investor for the proposed debenture issue with an intention to invest LKR 1.5 Bn. However, with high demand from general investors, only the residual was alloted to the parent after fully-alloting for all other non-related investor applications.

46.3 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.

46.3.1 Compensation of key management personnel

As at 31 March	2021 LKR	2020 LKR
Short-term employee benefits		
Board of Directors	18,550,410	21,221,430
Other Key Management Personnel	61,770,485	66,453,220

46.3.2 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 2021 amounted to LKR 39,578,300/- (2020 - LKR 35,140,700/-).

46.3.3 Deposits held by key management personnel

As at 31 March	2021 LKR	2020 LKR
Deposits held with the Company	121,895,454	475,018,301
Investments in debentures	13,000,000	13,000,000

47. Commitments and contingencies

47.1 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	2021 LKR	2020 LKR
Approved but not contracted for	–	–
Approved and contracted for	3,861,329	6,947,433
	3,861,329	6,947,433

47. Commitments and contingencies (Continued)

47.2 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.

48. Events after the reporting period

The Board of Directors has declared and approved a final dividend of LKR 1.16 per share for the year ended 31 March 2021 is recommended by the Board of Directors subject to the approval from Central Bank of Sri Lanka and the shareholders at the Annual General Meeting for the financial year ended 2020/21. 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.

The Company made a rights issue of one (01) share for every fourteen (14) ordinary share, at a price of LKR 70/- per share with the approval of Central bank of Sri Lanka and Colombo Stock Exchange during the month of April 2021.

	Number of Shares	Stated Capital
Before right issue	72,475,061	1,587,862,680
After right issue	77,651,851	1,950,237,980

There were no material events occurring after the reporting date that require adjustment to or disclose in the Financial Statements.

49. Maturity analysis

49.1 Company

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2021, based on the remaining period from the reporting date to the respective contractual (excluded interest) maturity dates are 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 2021 LKR
Interest earning assets					
Cash and cash equivalents	606,071,689	–	–	–	606,071,689
Deposit with licensed commercial banks	721,357,634	552,882,146	2,211,530,177	1,105,765,088	4,591,535,045
Investment in Government and other securities	772,601,094	1,017,212,400	–	–	1,789,813,494
Loans and advances	3,937,365,524	10,113,992,152	11,408,132,343	2,102,594,869	27,562,084,888
Total interest earning assets	6,037,395,941	11,684,086,698	13,619,662,520	3,208,359,957	34,549,505,116
Non-interest earning assets					
Financial assets held at fair value through profit and loss	508,509,464	–	–	–	508,509,464
Financial assets measured at fair value through other comprehensive income	–	–	–	15,464,873	15,464,873
Investment in subsidiaries	–	–	–	328,301,663	328,301,663
Tangible and intangible assets	–	–	–	1,951,779,438	1,951,779,438
Right-of-use assets	22,946,283	68,287,778	154,527,034	164,114,268	409,875,363
Other receivables	118,284,815	21,408,578	–	259,200	139,952,593
Total assets	6,687,136,503	11,773,783,054	13,774,189,554	5,668,279,399	37,903,388,510
Percentage as at 31 March 2021 (%)	18	31	36	15	100

49. Maturity analysis (Continued)

49.1 Company (Continued)

	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 2021 LKR
Interest-bearing liabilities					
Deposits from customers	2,598,409,591	6,203,507,279	1,671,874,545	1,072,630,926	11,546,422,341
Bank overdrafts	79,954,074	–	–	–	79,954,074
Due to banks	1,748,478,167	1,279,746,078	3,069,411,011	965,956,556	7,063,591,812
Borrowings	1,000,277,740	1,635,658,874	4,642,172,055	2,514,280,860	9,792,389,529
Debt securities issued	18,323,395	–	–	1,750,000,000	1,768,323,395
Lease liabilities	21,215,101	62,943,858	138,245,096	155,096,362	377,500,417
Total interest-bearing liabilities	5,466,658,068	9,181,856,089	9,521,702,707	6,457,964,704	30,628,181,568
Non-interest-bearing liabilities	508,326,330	239,858,149	167,433,942	400,207,531	1,315,825,952
Total liabilities	5,974,984,398	9,421,714,238	9,689,136,649	6,858,172,235	31,944,007,520
Percentage as at 31 March 2021 (%)	16	25	26	18	84
Shareholders' funds	–	–	–	5,959,380,990	5,959,380,990
Total shareholders' funds and liabilities	5,974,984,398	9,421,714,238	9,689,136,649	12,817,553,225	37,903,388,510

49.2 Group

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2021, based on the remaining period from the reporting date to the respective contractual (excluded interest) maturity dates are 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 2021 LKR
Interest earning assets					
Cash and cash equivalents	647,544,645	–	–	–	647,544,645
Deposit with licensed commercial banks	721,357,634	552,882,146	2,211,530,177	1,105,765,088	4,591,535,045
Investment in government and other securities	772,601,094	1,017,212,400	–	–	1,789,813,494
Loans and advances	3,937,640,524	10,113,992,152	11,408,132,343	2,102,594,869	27,562,359,888
Total interest earning assets	6,079,143,897	11,684,086,698	13,619,662,520	3,208,359,957	34,591,253,072

	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 2021 LKR
Non-interest earning assets					
Financial assets held at fair value through profit and loss	558,362,192	–	–	–	558,362,192
Financial assets measured at fair value through other comprehensive income	–	–	–	15,464,873	15,464,873
Tangible and intangible assets	–	–	–	1,861,549,880	1,861,549,880
Right-of-use assets	22,946,283	68,287,778	154,527,034	164,114,268	409,875,363
Other receivables	66,179,521	21,658,441	–	259,200	88,097,162
Total assets	6,726,631,893	11,774,032,917	13,774,189,554	5,249,748,178	37,524,602,542
Percentage as at 31 March 2021 (%)	18	31	37	14	100
Interest-bearing liabilities					
Deposits from customers	2,567,958,277	6,176,103,897	1,671,874,545	1,072,630,926	11,488,567,645
Bank overdrafts	79,954,074	–	–	–	79,954,074
Due to banks	1,748,478,167	1,279,746,078	3,069,411,011	965,956,556	7,063,591,812
Borrowings	1,000,277,740	1,635,658,874	4,642,172,055	2,514,280,860	9,792,389,529
Debt securities issued	18,323,395	–	–	1,750,000,000	1,768,323,395
Lease liabilities	21,215,101	62,943,858	138,245,096	155,096,362	377,500,417
Total interest-bearing liabilities	5,436,206,754	9,154,452,707	9,521,702,707	6,457,964,704	30,570,326,872
Non-interest-bearing liabilities	231,465,246	240,626,286	173,465,407	403,472,519	1,049,029,458
Total liabilities	5,667,672,000	9,395,078,993	9,695,168,114	6,861,437,223	31,619,356,330
Percentage as at 31 March 2021 (%)	15	25	26	18	84
Shareholders' funds	–	–	–	5,905,246,212	5,905,246,212
Total shareholders' funds and liabilities	5,667,672,000	9,395,078,993	9,695,168,114	12,766,683,435	37,524,602,542

50. Segment report

The Company has seven reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. For each of the strategic business line, the Company management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Leasing & Hire purchase
- Pawning advances
- Other advances
- Investments
- Insurance brokering
- Unit trust management
- Unallocated

50. Segment report (Continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Company's management. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Leasing and hire purchases		Pawning advances		Other advances		Investments	
As at 31 March	2021 LKR	2020 LKR	2021 LKR	2020 LKR	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Revenue								
External customers								
Interest	5,106,546,761	5,546,699,014	238,529,007	255,067,304	259,504,396	373,270,239	373,981,769	358,937,681
Trading	–	–	–	–	–	–	129,438,277	8,255,089
Commissions	–	–	–	–	–	–	–	–
Rent	–	–	–	–	–	–	21,624,362	19,287,660
Dividends	–	–	–	–	–	–	4,591,627	3,367,701
Other income	12,077,330	38,455,428	–	–	–	–	14,923,334	13,468,382
Total revenue	5,118,624,091	5,585,154,442	238,529,007	255,067,304	259,504,396	373,270,239	544,559,369	403,316,513
Profit before tax								
Taxation								
Profit after tax								
Segment assets	24,735,380,314	24,523,980,655	1,145,063,979	1,160,219,554	1,681,640,595	1,548,809,804	8,761,440,802	5,472,399,232
Segment liabilities	25,912,534,891	23,963,726,375	1,207,529,818	1,094,394,639	1,313,715,678	1,601,557,480	2,756,778,657	1,733,391,427
Information on cash flows								
Operating activities	1,603,586,265	3,616,939,525	74,341,352	169,597,975	3,319,254	262,772,939	(3,931,140,923)	867,994,285
Investing activities	–	–	–	–	–	–	(832,165)	(209,230,682)
Capital expenditure	(109,783,566)	(181,906,033)	(5,082,162)	(8,661,397)	(7,463,661)	(12,735,396)	(38,886,089)	(40,853,150)
Financing activities	–	–	–	–	–	–	–	–
Net cash flow	1,493,802,699	3,435,033,492	69,259,190	160,936,578	(4,144,407)	250,037,543	(3,970,859,177)	617,910,453
Depreciation and amortisation	(364,610,341)	(301,597,941)	(16,878,745)	(14,360,489)	(24,788,119)	(21,115,129)	(4,228,748)	(8,511,526)
Impairment charges and other credit losses	(387,833,500)	(369,756,040)	2,561,516	2,630,056	(111,473,385)	(132,245,601)	19,235	(4,389,554)

Insurance brokering		Unit trust management		Unallocated		Total	
2021 LKR	2020 LKR	2021 LKR	2020 LKR	2021 LKR	2020 LKR	2021 LKR	2020 LKR
864,395	679,872	292,984	32,076	–	–	5,979,719,312	6,534,686,186
–	–	4,227,074	81,514	17,780	63,630	133,683,131	8,400,233
137,424,944	124,711,144	47,523,034	839,708	65,380	345,178	185,013,358	125,896,030
–	–	–	–	–	–	21,624,362	19,287,660
–	–	–	–	–	–	4,591,627	3,367,701
1,431,156	–	–	–	81,579,389	61,555,427	110,011,209	113,479,237
139,720,495	125,391,016	52,043,092	953,298	81,662,549	61,964,235	6,434,642,999	6,805,117,047
						774,363,838	591,028,295
						(184,480,072)	(339,326,170)
						589,883,766	251,702,125
38,108,006	33,762,851	62,069,202	30,242,984	1,100,899,644	1,226,017,446	37,524,602,542	33,995,432,526
12,291,023	16,038,102	2,358,543	3,451,598	414,147,720	261,259,044	31,619,356,330	28,673,818,665
55,980,260	89,758,547	28,701,685	871,784	(196,936,244)	(378,537,083)	(2,362,148,351)	4,629,397,972
–	(325,400)	–	–	–	32,771,042	(832,165)	(176,785,040)
–	–	(3,749,886)	–	(4,886,146)	(9,152,599)	(169,851,510)	(253,308,575)
–	–	–	–	2,536,466,588	(4,308,183,739)	2,536,466,588	(4,308,183,739)
55,980,260	89,433,147	24,951,799	871,784	2,334,644,198	(4,663,102,379)	3,634,562	(108,879,382)
(1,256,694)	(1,223,174)	(188,203)	(192)	(16,227,743)	(106,552,926)	(428,178,593)	(453,361,377)
–	–	–	–	46,423	(49,492)	(496,679,711)	(503,810,631)

51. 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.

As at 31 March 2021	Carrying amount		
	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	79,178,617	–	–
Investments in equity securities – Unquoted	–	15,464,873	–
Investments in unit trust – Unquoted	429,330,847	–	–
	508,509,464	15,464,873	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	606,071,689
Deposit with licensed commercial banks	–	–	4,591,535,045
Repurchase agreements	–	–	576,350,591
Finance lease, Hire purchase and other loans	–	–	27,226,101,233
Other advances	–	–	335,983,655
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	–	33,336,042,213
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Term deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Carrying amount			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
–	–	79,178,617	79,178,617	–	–	79,178,617
–	–	15,464,873	–	–	15,464,873	15,464,873
–	–	429,330,847	–	–	429,330,847	429,330,847
–	–	523,974,337	79,178,617	–	444,795,720	523,974,337
–	–	606,071,689	–	–	–	–
–	–	4,591,535,045	–	–	–	–
–	–	576,350,591	–	–	–	–
–	–	27,226,101,233	–	–	–	–
–	–	335,983,655	–	–	–	–
196,250,503	–	196,250,503	197,353,668	–	–	197,353,668
1,017,212,400	–	1,017,212,400	1,013,452,051	–	–	1,013,452,051
1,213,462,903	–	34,549,505,116	1,210,805,719	–	–	1,210,805,719
–	7,143,545,886	7,143,545,886	–	–	–	–
–	10,987,804,754	10,987,804,754	–		11,187,203,489	11,187,203,489
–	558,617,587	558,617,587	–	–	–	–
–	9,792,389,529	9,792,389,529	–	–	–	–
–	1,768,323,395	1,768,323,395	–	–	2,148,803,253	2,148,803,253
–	30,250,681,151	30,250,681,151	–	–	13,336,006,742	13,336,006,742

51. Financial instruments – Fair values (Continued)

A. Accounting classifications and fair values – Company (Continued)

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 2020	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	79,503,906	–	–	
Investments in equity securities – Unquoted	–	14,803,522	–	
Investments in unit trust – Quoted	2,346,750	–	–	
Investments in unit trust – Unquoted	296,966,710	–	–	
	378,817,366	14,803,522	–	
Financial assets not measured at fair value				
Cash and cash equivalents	–	–	718,612,914	
Deposit with licensed commercial Banks	–	–	884,788,297	
Repurchase agreements	–	–	1,001,277,322	
Finance lease, Hire purchase and other loans	–	–	26,800,770,355	
Other advances	–	–	432,239,658	
Treasury bonds	–	–	–	
Treasury bills	–	–	–	
	–	–	29,837,688,546	
Financial liabilities not measured at fair value				
Due to banks	–	–	–	
Deposits from customers	–	–	–	
Savings deposits from customers	–	–	–	
Borrowings	–	–	–	
Debt securities issued	–	–	–	
Subordinated debentures	–	–	–	
	–	–	–	

Carrying amount			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
–	–	79,503,906	79,503,906	–	–	79,503,906
–	–	14,803,522	–	–	14,803,522	14,803,522
–	–	2,346,750	2,346,750	–	–	2,346,750
–	–	296,966,710	–	–	296,966,710	296,966,710
–	–	393,620,888	81,850,656	–	311,770,232	393,620,888
–	–	718,612,914	–	–	–	–
–	–	884,788,297	–	–	–	–
–	–	1,001,277,322	–	–	–	–
–	–	26,800,770,355	–	–	–	–
–	–	432,239,658	–	–	–	–
192,146,568	–	192,146,568	198,542,430	–	–	198,542,430
939,749,227	–	939,749,227	935,796,366	–	–	935,796,366
1,131,895,795	–	30,969,584,341	1,134,338,796	–	–	1,134,338,796
–	5,257,315,384	5,257,315,384	–	–	–	–
–	10,725,039,444	10,725,039,444	–	–	11,135,110,788	11,135,110,788
–	497,572,036	497,572,036	–	–	–	–
–	6,432,119,305	6,432,119,305	–	–	–	–
–	2,539,828,926	2,539,828,926	–	–	2,445,018,847	2,445,018,847
–	1,779,700,505	1,779,700,505	–	–	1,991,833,717	1,991,833,717
–	27,231,575,600	27,231,575,600	–	–	15,571,963,352	15,571,963,352

51. 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:

As at 31 March 2021	Carrying amount		
	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	79,178,617	–	–
Investments in equity securities – Unquoted	–	15,464,873	–
Investments in unit trust – Unquoted	479,183,575	–	–
	558,362,192	15,464,873	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	647,544,645
Deposit with licensed commercial banks	–	–	4,591,535,045
Repurchase agreements	–	–	576,350,591
Finance lease, Hire purchase and other loans	–	–	27,226,376,233
Other advances	–	–	335,983,655
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	–	33,377,790,169
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Term deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Carrying amount			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
–	–	79,178,617	79,178,617	–	–	79,178,617
–	–	15,464,873	–	–	15,464,873	15,464,873
–	–	479,183,575		–	479,183,575	479,183,575
–	–	573,827,065	79,178,617	–	494,648,448	573,827,065
–	–	647,544,645	–	–	–	–
–	–	4,591,535,045	–	–	–	–
–	–	576,350,591	–	–	–	–
–	–	27,226,376,233	–	–	–	–
–	–	335,983,655	–	–	–	–
196,250,503	–	196,250,503	197,353,668	–	–	197,353,668
1,017,212,400	–	1,017,212,400	1,013,452,051	–	–	1,013,452,051
1,213,462,903	–	34,591,253,072	1,210,805,719	–	–	1,210,805,719
–	7,143,545,886	7,143,545,886	–	–	–	–
–	10,929,950,058	10,929,950,058	–	–	11,129,346,327	11,129,346,327
–	558,617,587	558,617,587	–	–	–	–
–	9,792,389,529	9,792,389,529	–	–	–	–
–	1,768,323,395	1,768,323,395	–	–	2,148,803,253	2,148,803,253
–	30,192,826,455	30,192,826,455	–	–	13,278,149,580	13,278,149,580

51. Financial instruments – Fair values (Continued)

B. Accounting classifications and fair values – Group (Continued)

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 2020	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	79,503,906	–	–
Investments in equity securities – Unquoted	–	14,803,522	–
Investments in unit trust – Quoted	2,346,750	–	–
Investments in unit trust – Unquoted	309,504,396	–	–
	391,355,052	14,803,522	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	760,978,541
Deposit with licensed commercial banks	–	–	884,788,297
Repurchase agreements	–	–	1,001,277,322
Finance lease, Hire purchase and other loans	–	–	26,801,000,355
Other advances	–	–	432,239,658
Treasury bonds	–	–	–
Treasury bills	–	–	–
	–	–	29,880,284,173
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated debentures	–	–	–
	–	–	–

	Carrying amount			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
	–	–	79,503,906	79,503,906	–	–	79,503,906
	–	–	14,803,522	–	–	14,803,522	14,803,522
	–	–	2,346,750	2,346,750	–	–	2,346,750
	–	–	309,504,396	–	–	309,504,396	309,504,396
	–	–	406,158,574	81,850,656	–	324,307,918	406,158,574
	–	–	760,978,541	–	–	–	–
	–	–	884,788,297	–	–	–	–
	–	–	1,001,277,322	–	–	–	–
	–	–	26,801,000,355	–	–	–	–
	–	–	432,239,658	–	–	–	–
	192,146,568	–	192,146,568	191,996,572	–	–	191,996,572
	939,749,227	–	939,749,227	935,796,366	–	–	935,796,366
	1,131,895,795	–	31,012,179,968	1,127,792,938	–	–	1,127,792,938
	–	5,257,315,384	5,257,315,384	–	–	–	–
	–	10,677,338,519	10,677,338,519	–		11,088,390,744	11,088,390,744
	–	497,572,036	497,572,036	–	–	–	–
	–	6,432,119,305	6,432,119,305	–	–	–	–
	–	2,539,828,926	2,539,828,926	–		2,445,018,847	2,445,018,847
	–	1,779,700,505	1,779,700,505	–	–	1,991,833,717	1,991,833,717
	–	27,183,874,675	27,183,874,675	–	–	15,525,243,308	15,525,243,308

51. Financial instruments – Fair values (Continued)

C. Measurement of fair values – Company

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
Deposit with licensed commercial banks	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 4.50% to 9.00%	The estimated fair Value would increase (decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Finance lease, Hire purchase and other loans	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.	N/A	N/A
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 8.00% 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 reprice 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

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
Deposit with licensed commercial banks	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 4.50% to 9.00%	The estimated fair Value would increase (decrease) if there is any changes in rate of Sri Lanka Government Treasury Bill.
Finance lease, Hire purchase and other loans	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.	N/A	N/A
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 8.00% 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 reprice 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

52. Risk management

52.1 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 ongoing 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.

52.2 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 controlled.

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.

Disruption of economic activities caused by the COVID-19 outbreak has created financial difficulties to our customers in the short term. The Company has provided relief measures to the affected businesses and individuals who are eligible as per the directions issued by the CBSL. Non-affected parties continued servicing their dues on a regular manner. The Management is closely monitoring all facilities and has strengthened the recovery process to withstand these unprecedented times.

Impairment assessment

Individually assessed allowances

The allowances appropriate for each individually significant loan or advance is determined 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 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 outs, should bankruptcy ensues, 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 standard requirements as well.

Stage 1 : 12-month expected credit losses (ECL)

Stage 2 : Lifetime expected credit losses (ECL) - Not credit impaired

Stage 3 : Lifetime expected credit losses (ECL) - Credit impaired

Expected credit loss assessment

As at 31 March 2021, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19 by using the economic forecast. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.In addition to the base case forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made by:

- Moving the one stage from the current stage for the customers in the risk elevated industries such tourism, construction, transportation etc.
- Economic factor Adjustment were adjusted by increasing worst case and decreasing the best case.
- Additional impairment was made in respected of the facilities for which second moratorium was granted and converted into non hire purchase facilities
- Adjustment on PD was made to incorporate the overlays on the overall model based on stress testing and historic patterns

52. Risk management (Continued)

52.2 Credit risk (Continued)

52.2.1 Credit quality by class of financial assets

As at 31 March 2021	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – Credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	606,071,689	–	–	606,071,689
Deposit with licensed commercial banks	4,591,535,045	–	–	4,591,535,045
Repurchase agreements	576,350,591	–	–	576,350,591
Financial assets held at fair value through profit or loss	508,509,464	–	–	508,509,464
Loans and advances	15,910,447,196	8,604,211,474	3,047,426,218	27,562,084,888
Financial assets measured at fair value through comprehensive income	15,464,873	–	–	15,464,873
Financial assets at amortised cost – Other financial instruments	1,213,462,903	–	–	1,213,462,903
Total financial assets	23,421,841,761	8,604,211,474	3,047,426,218	35,073,479,453

As at 31 March 2020	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – Credit impaired LKR	Total LKR
Cash and cash equivalents	718,612,914	–	–	718,612,914
Deposit with licensed commercial banks	884,788,297	–	–	884,788,297
Repurchase agreements	1,001,277,322	–	–	1,001,277,322
Financial assets held at fair value through profit or loss	378,817,366	–	–	378,817,366
Loans and advances	17,019,556,094	7,858,967,910	2,354,486,009	27,233,010,013
Financial assets measured at fair value through comprehensive income	14,803,522	–	–	14,803,522
Financial assets at amortised cost – Other financial instruments	1,131,895,795	–	–	1,131,895,795
Total financial assets	21,149,751,310	7,858,967,910	2,354,486,009	31,363,205,229

52.2.2 Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

As at 31 March	Percentage of exposure that is subject to collateral requirements 2021	2020	Type of collateral Held
Finance leases and hire purchases	100	100	Vehicles, Property and equipment
Commercial loans	100	100	Vehicles, Property and equipment
Personal loans	100	100	Personal provided fund
Pawning advances	100	100	Pawning articles
Loans against fixed deposits	100	100	Lien deposits

52.2.3 Modified financial assets

Loans and receivables with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the loans and receivables with renegotiated terms:

As at 31 March	2021 LKR	2020 LKR
Gross carrying amount	2,978,987	9,079,907
Total gross loans and receivables	29,642,775,487	28,803,403,412
Percentage of renegotiated loans (%)	0.01	0.03

52.2.4 Credit ratings

Cash and cash equivalents

The Company held cash and equivalents in the form of demand deposits with commercial bank, placement with banking and financial institution and securities purchased under release agreements. Hence, the Company is exposed to the risk of such counter-parties failing to meet their contractual obligations.

Group minimize the credit risk by monitoring the credit worthiness of the underlying counterparties periodically.

A credit rating analysis of banking/financial institutional counter parties with whom the balances were held at the end of the reporting period is presented below. This includes balances held as a balances with licensed commercial banks, investment in fixed deposits and repurchase agreement.

52. Risk management (Continued)

52.2 Credit risk (Continued)

52.2.4 Credit ratings (Continued)

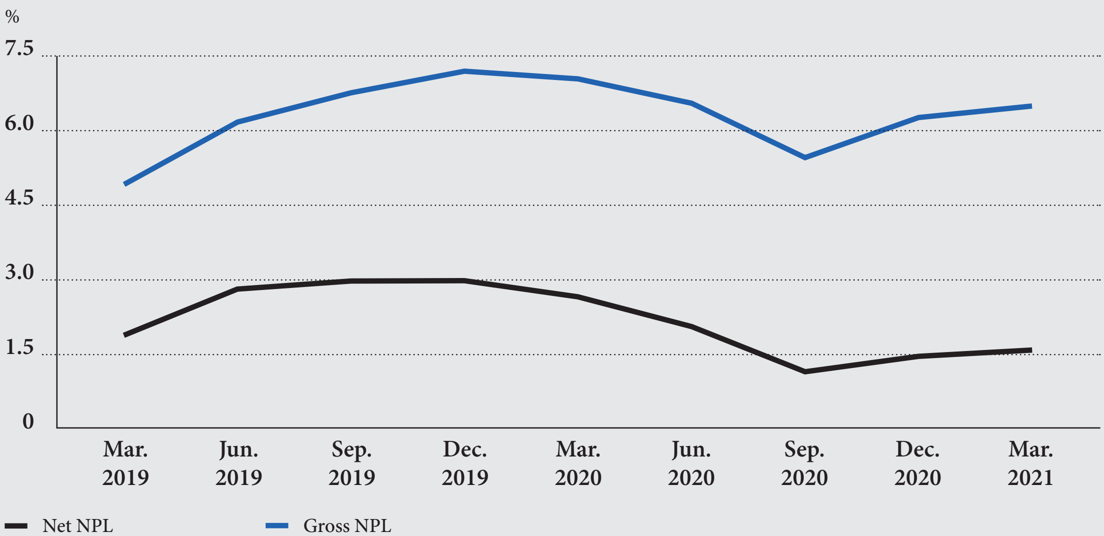
As at 31 March	2021 LKR	2020 LKR
Credit rating		
Risk fee	576,350,591	576,350,591
AAA	4,383,904	15,000,579
AA+	4,535,350,578	–
AA	–	480,557,092
AA-	479,437,538	54,928,818
A+	58,768,514	875,263,834
A	29,425	29,425
BBB-	139,891	63,981,441
Unrated	–	12,095
	5,654,460,441	2,066,123,875

52.2.5 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



52.2.6 Industry analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31 March 2021:

Sector-wise breakdown	Cash and cash equivalent and short term deposit LKR	Financial assets – 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	–	1,125,000	1,559,510,568	–	–	1,560,635,568
Manufacturing	–	23,507,149	5,434,241,079	–	–	5,457,748,228
Construction	–	–	1,226,640,569	–	–	1,226,640,569
Financial services	5,773,957,325	457,025,111	1,714,426,219	–	–	7,945,408,655
Trading	–	86,900	7,131,212,242	–	–	7,131,299,142
Retail	–	4,518,530	1,235,433,625	–	–	1,239,952,155
Government	–	–	–	–	1,213,462,903	1,213,462,903
Hotels	–	3,792,014	397,067,857	15,174,287	–	416,034,158
Services	–	18,454,760	8,863,552,729	290,586	–	8,882,298,075
Total	5,773,957,325	508,509,464	27,562,084,888	15,464,873	1,213,462,903	35,073,479,453

***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. Group's 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 2021 LKR
Central	2,987,796,731
Eastern	1,554,473,212
North Central	1,473,992,799
North Western	2,433,797,909
Northern	1,285,305,471
Sabaragamuwa	2,640,573,216
Southern	1,950,043,457
Uva	1,650,236,499
Western	11,585,865,594
Total	27,562,084,888

52. Risk management (Continued)

52.3 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 financial obligations when they fall due under both normal and stress circumstances. To limit the risk, the 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

With COVID-19 outbreak, the Management closely monitored and managed the liquidity position of the Company. In the post-COVID environment, the challenges and risks associated are changing. The Company has secured an adequate buffer of liquid assets and has established credit lines which is in satisfactory levels to withstand the prevailing conditions.

52.3.1 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 assets 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 average month end total deposit liabilities and borrowings of the twelve months of the proceeding financial year.

As at 31 March 2021, the Company maintained Government Securities to average deposit liabilities and borrowings ratio of 11.25% (2020 - 13.22%)

In order to facilitate LFCs to overcome any liquidity issues that may arise due to the COVID-19 outbreak, on 31 March 2020 the CBSL issued an amendment to the Finance Companies (Liquid Assets) Direction No. 04 of 2013, reducing the above requirements of liquid assets for time deposits and non-transferable certificates of deposits to 6%, for savings deposits to 10% and liquid assets requirement for borrowings to 5% respectively. The requirement to maintain approved Government Securities was also reduced to 5%.

These concessionary liquid assets requirements are extended up to 30 June 2021.

52.3.2 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the cash flows of the Company's financial assets and liabilities as at 31 March 2021.

	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total LKR
Cash and cash equivalents	606,071,689	–	–	–	606,071,689
Deposits with licensed commercial banks	721,357,634	552,882,146	2,211,530,177	1,105,765,088	4,591,535,045
Repurchase agreements	576,350,591	–	–	–	576,350,591
Financial assets held at fair value through profit or loss	508,509,464	–	–	–	508,509,464
Financial assets at amortised cost – Loans and advances	3,937,365,524	10,113,992,152	11,408,132,343	2,102,594,869	27,562,084,888
Financial assets measured at fair value through other comprehensive income	–	–	–	15,464,873	15,464,873
Financial assets at amortised cost – Other financial instruments	196,250,503	1,017,212,400	–	–	1,213,462,903
Total financial assets	6,545,905,405	11,684,086,698	13,619,662,520	3,223,824,830	35,073,479,453
Financial liabilities					
Deposits from customers	2,598,409,591	6,203,507,279	1,671,874,545	1,072,630,926	11,546,422,341
Bank overdrafts	79,954,074	–	–	–	79,954,074
Due to banks and other borrowed funds	2,748,755,907	2,915,404,952	7,711,583,066	3,480,237,416	16,855,981,341
Debt instruments issued	18,323,395	–	–	1,750,000,000	1,768,323,395
Lease liabilities	21,215,101	62,943,858	138,245,096	155,096,362	377,500,417
Total financial liabilities	5,466,658,068	9,181,856,089	9,521,702,707	6,457,964,704	30,628,181,568
Net financial assets/(liabilities)	1,079,247,337	2,502,230,609	4,097,959,813	(3,234,139,874)	4,445,297,885

52.3.3 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 30 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 30 Mn. which is greater than the required 5% of profits for the year was transferred.

Further in accordance with the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 03 of 2018, all the NBFIs are required to maintain, as at 31 March 2021 its Capital at a level not less than 10.5% of its risk weighted assets and the core capital at a level not less that 6.5% of risk weighted assets. The ratios as at 31 March 2021 were 16.69% and 21.66% and as at 31 March 2020 were 15.48% and 21.54% respectively. Detailed calculations are given on page 212.

52. Risk management (Continued)

52.3 Liquidity risk and fund management (Continued)

52.3.3 Capital management and capital adequacy (Continued)

Total risk-weighted amount

As at 31 March 2021	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	1,789,813,494	–	1,789,813,494	–	0
Claims on financial institutions	5,078,003,338	–	5,078,003,338	1,015,600,668	20
Claims on corporates	778,930,350	–	778,930,350	776,126,418	100
Retail claims	25,898,700,917	–	25,898,700,917	24,804,566,384	96
Non-performing assets (NPAs)	1,383,259,411	–	1,383,259,411	1,513,608,378	109
Notes and coins	119,603,396	–	119,603,396	–	0
Fixed assets	1,896,660,066	–	1,896,660,066	1,896,660,066	100
Other assets/exposures	549,827,955	–	549,827,955	549,827,955	100
Total risk-weighted amount for credit risk	37,494,798,927	–	37,494,798,927	30,556,389,869	

Risk-weighted amount for operational risk

As at 31 March	2021 LKR	2020 LKR	2019 LKR	Total LKR
Interest income	5,978,561,933	6,533,974,238	6,995,603,180	19,508,139,351
Interest expenses	(3,215,269,432)	(3,681,611,333)	(3,759,531,355)	(10,656,412,120)
Non-interest income	363,593,935	220,711,727	278,141,407	862,447,069
Realised losses/(gains) from the sale of securities	(46,126,377)	2,296,371	(2,289,975)	(46,119,981)
Extraordinary/irregular item of income	(14,923,334)	(13,468,382)	(45,580,900)	(73,972,616)
Gross income	3,065,836,725	3,061,902,621	3,466,342,357	9,594,081,703

	Total LKR
Average gross income for operational risk capital requirement	3,198,027,234
Capital charges for operational risk (15% of average gross income for operational risk)	479,704,085
Risk-weighted amount for operational risk (reciprocal of required total capital ratio – 10.5%)	9.52
Risk-weighted amount for operational risk (using the basic indicator approach)	4,568,610,335
Total risk-weighted amount	35,125,000,204

Capital base

As at 31 March	2021 LKR	2020 LKR
Tier 1: Capital	**5,954,620,123**	5,406,207,056
Issued and paid-up ordinary shares	**1,587,862,680**	1,587,862,680
Statutory reserve fund	**460,036,033**	430,036,033
Published retained profits	**3,906,721,410**	3,388,308,343
Adjustment to Tier 1 capital	**91,792,197**	82,605,585
Other intangible assets (net)	**55,119,372**	46,237,627
Shortfall of cumulative impairment to total provisions and interest in suspense	**–**	–
50% of investment in banking and financial subsidiary companies	**23,395,693**	23,395,693
50% of investment in other banking and financial institutions	**13,277,132**	12,972,265
Tier 1: Capital (after adjustments)	**5,862,827,926**	5,323,601,471
Tier 2: Capital	**1,781,954,873**	2,121,466,085
Instruments qualified as Tier 2 capital	**1,400,000,000**	1,750,000,000
General provisions/collective impairment allowances	**381,954,873**	371,466,085
Eligible Tier 2 capital	**1,781,954,873**	2,121,466,085
Total adjustment to eligible Tier 2 capital	**36,672,825**	36,367,958
50% of investment in banking and financial subsidiary companies	**23,395,693**	23,395,693
50% of investment in other banking and financial institutions	**13,277,132**	12,972,265
Eligible Tier 2 capital after adjustments	**1,745,282,048**	2,085,098,127
Total capital	**7,608,109,974**	7,408,699,598
Core capital ratio (minimum requirement 6.5%)		
Core capital	**5,862,827,926**	5,323,601,471
Total risk-weighted assets	**35,125,000,204**	34,390,867,586
	16.69%	15.48%
Total capital ratio (minimum requirement 10.5%)		
Total capital base	**7,608,109,974**	7,408,699,598
Total risk-weighted assets	**35,125,000,204**	34,390,867,586
	21.66%	21.54%

52. Risk management (Continued)

52.4 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 market 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.

52.4.1 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.

The Management of the Company closely monitors the impact on the net interest margin caused by the relief measures granted as announced by the CBSL to support entities and individuals affected due to COVID-19.

52.4.2 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.

There was a significant drop in the exchange rate of the Sri Lankan Rupee against the US Dollar throughout the year, as a result of the outbreak. The Management analyses the impact occurred on regular basis to identify and manage any unfavourable impacts of foreign exchange movements.

52.4.3 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.

Unexpected downfall in both economy as well as share market due to the COVID-19 pandemic, caused significant drops in share market indices. However, the indices are gradually recovering and the Management monitors the equity price movements on daily basis.

52.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and 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 (Risk Weighted Capital Adequacy Ratio) 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 2021 the Company provided of LKR 4,568,610,335/- (2020 - LKR 4,673,580,825/-) as risk weighted assets to accommodate operational risk.

52.6 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.

52.7 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 assets 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.

53. The impact of COVID-19 pandemic

The outbreak of COVID-19 continued to cause disruptions to business and economic activities creating a widespread uncertainty in the global economy. In Sri Lanka, several guidelines and instructions were issued by the government health authorities, to curtail the spread of the virus, which are strictly followed by the Company.

The Central Bank of Sri Lanka issued several circulars and guidelines for financial institutions to offer concessions on financial obligations of individual customers and private businesses to overcome the adverse, short-term impact on their sources of income. The relief measures include deferment of payment, restructuring, concessionary interest rate and waving off of certain charges and fees. That has caused an adverse impact to the earnings, cash flows and liquidity position of the Company. Also the Central Bank introduced number of measures to support NBFI's, such as easing of regulatory requirements on liquidity and capital adequacy to facilitate provision of concessions to customers.

However, the management is of the view that the Company is able to maintain a satisfactory liquidity position to safeguard the interest of all stakeholders. Accordingly, the management concluded that the Company has adequate resources to continue as a going concern, and is continuously monitoring and assessing the impact of COVID-19 pandemic, on the financial performance, financial position and cash flows of the Company.

53. The impact of COVID 19 pandemic (Continued)

53.1 Going Concern

The Management made an assessment of the Company’s ability to continue as a going concern using available information about future and current economic conditions and market uncertainty caused by COVID-19 outbreak. Following factors were considered by the management for the assessment:

- Identifying risk factors that may affect the Company due to current market uncertainty and volatility caused by the COVID-19 outbreak.
- Evaluation of action plans to prevent the materialisation of the worse case scenario which may cause significant doubt about the entity’s going concern.
- Assessment on available resources and liquidity position to ensure achievement of action plans under the prevailing conditions.

Based on the assessment, it was concluded that the Company is able to maintain a satisfactory liquid position to safeguard the interest of all stakeholders. Accordingly, the Management decided that the Company has adequate resources to continue as a going concern and prepared the Financial Statement for the year ended 31 March 2021 on a going concern basis.

53.2 Liquidity risk management

With the onset of COVID-19 pandemic the Company practised more vigilance in managing its liquid assets. While closely monitoring any developments related to the pandemic, it has continued to keep its liquidity risk management measures in alert to readily respond to changing circumstances.

From the onset of the year, the Company was maintaining sufficient levels of liquid assets. This enabled the Company to meet liabilities falling due during the COVID-19 lockdown period. Further, the Company has in place strong relations with its banking partners and other strategic local and foreign investors, which enabled the Company to withstand the liquidity pressure during turbulent times.

The Management is satisfied with its existing buffer of liquid assets. Steps have been taken to maintain the existing liquidity levels, whilst mitigating any unforeseen effects on liquidity positions that may arise due to the continuously evolving nature of the pandemic.

53.3 Impairment Provisioning as per ECL methodology for Financial Assets at Amortised Cost

SLFRS 9 requires the application of judgement in determining ECLs in different circumstances, it requires and allows entities to adjust their approach by incorporating forward-looking reasonable and supportable information available without undue cost or effort at the reporting date.

As number of assumptions and linkages underlying the ECLs assessment no longer hold in the current environment, in line with the SLFRS 9 requirement to assess a Significant Increase in Credit Risk (SICR) as a default occurring over the expected life of a financial instrument by developing estimates based on the best available information about past events, current conditions and forecasts of economic conditions.

In assessing said forecasted conditions, the Company primarily considered the effects of COVID-19 and the significant government relief measures granted to customers. However, the extent of payment holidays granted to stressed/specified industry under the government's relief schemes shall not automatically result in all such facilities being considered to have suffered a significant increase in credit risk (SICR). In cases where the borrower resumes regular payments in the foreseeable future, such that significant increase in credit risk would not occur over expected remaining lives of the receivables.

53.3.1 Probability of default (PDs) and loss given default (LGDs) and economic factor adjustment (EFA) and resulting modelling

The Company has not made any changes to the existing model. Hence, captured the probability of default (PDs) based on 31 March 2021 positions and the loss given default (LGDs) based on the deteriorated cash flows during the underlying period.

Economic Factor Adjustment (EFA) was based on the most recently published economic information which factored in the impact of the outbreak. A sensitivity analysis for the rates applied in assessing the EFA is as follows:

	Base rate %	Best rate %	Worst rate %	Impairment provision LKR	Deviation from the reported provision LKR	Deviation %
Base case scenario	100	0	0	1,535,545,937	(10,825,937)	(0.70)
Best case scenario	0	100	0	1,432,098,993	(114,272,881)	(7.39)
Worst case scenario	0	0	100	1,638,976,754	92,604,880	5.99

53.3.2 Cash flow assumptions for recovery period for computation of individual significant contracts

The Company has reassessed certain cash flows to reflect the potential changes where the COVID-19 outbreak affects the ECL impairment.

53.3.4 Interest Income recognition for Financial Assets at Amortised Cost – Loans and Receivables to Other Customers/Lease Rental and Hire Purchase Receivables

Based on the Debt Moratoriums as per Circulars issued by the Central Bank of Sri Lanka, extension of payment holidays were granted to borrowers in stressed/specified industries.

Proposed accounting treatment for lease contracts is not a lease modification since there is no change in scope or the consideration for the lease. Accordingly, the requirements as per SLFRS 16 - "Leases" is applicable when accounting for lease contracts under moratorium scheme. The lease contracts ware accounted based on the requirements specified in SLFRS 16 – "Leases" and the related changes in the lease payments were accounted as a variable lease payment.

53.4 Interest expense on financial liabilities at amortised cost – Deposits due to customers/interest bearing

Due to the impact of the COVID-19 pandemic, there was a downward trend in the market interest rates. Interest rates applicable for deposits and borrowings were affected and, the net interest income of the Company improved accordingly.

53.5 Impact on other assets and business units

The Company does not foresee any indications of impairments at the reporting date due to the COVID-19 pandemic and each business unit functions within the respective business continuity plans as per the Company's risk management framework allowing operations to function through alternate arrangements whilst strictly adhering to government directives and social distancing requirements.

53. The impact of COVID 19 pandemic (Continued)

53.6 Business continuity and future outlook

According to Fitch Ratings Lanka Limited the COVID-19 outbreak and the resultant prolonged business disruptions will put additional pressure and bring multiple challenges on Sri Lankan finance and leasing companies' (FLCs) in terms of profitability, assets quality, muted loan growth, margin compression and lower interest rates, and rising loan-impairment charges due to assets quality pressures. The ultimate economic and financial market implications of the outbreak are unclear and estimating the exact impact COVID-19 is a challenge. Simply, there are too many unknowns such as rate of infection and immunity, policy response, demand-supply dynamics, reaction of firms etc. However, with the support of Company's Enterprise Risk Management Framework the Company is proactively analysing various possible scenarios in a more descriptive manner.

During the preparation of financial statements for the year ended 31 March 2021 management has made an assessment of an entity’s ability to continue as a going concern using the all available information about the future and capturing the current economic uncertainties and market volatility caused by the COVID-19 outbreak. When making that assessment, management considered the existing and anticipated effects of the COVID-19 outbreak on the entity’s business activities considering the measures taken by the government and central bank to provide relief to affected entities and relaxation of regulatory requirements. During this exercise Management has paid special attention to below factors,

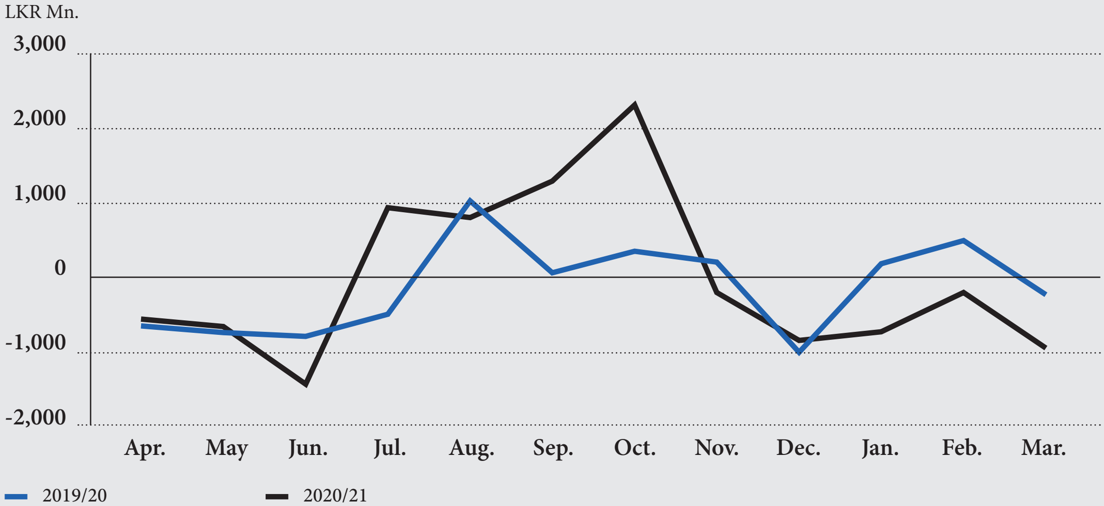
- Management has used best estimates to identify the risk factors in different possible outcomes in current economic uncertainty and market volatility caused by the COVID-19 outbreak
- Evaluation of plans to mitigate events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.
- Assessment of the availability of finance and ensure these plans are achievable and realistic despite of having difficulties in collections of dues and the difficulties in getting funding lines from banks and other financial institutions. Based on the assessment conducted it was concluded that the Company was able to maintain a stable liquidity position and safeguard the interest of the stakeholders.

The Company has made the assessment of going concern considering a wide range of factors in multiple scenarios such as best case, most likely and worst case. The major factors include retention and renewal of deposits, relaxation of regulatory aspects, profitability based on income and cost management projections, excess liquidity, strengthening recovery actions, undrawn loan facilities and potential funding lines. Having evaluated the above by the Management concludes that the Company has adequate resources to continue as a going concern and the Company is monitoring the impacts on its operations arising in post COVID environment.

54. Sensitivity analysis

The graph below depicts the sensitivity analysis carried out on the statement of financial position as at 31 March 2021 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 bp



Sensitivity to projected net interest income	100 bp parallel increase/ Decrease*	
	2021 LKR '000	2020 LKR '000
As at March	**+/- 955**	+/- 238
Average for the period	**+/- 24**	+/- 137
Maximum for the period	**+/- 2,318**	+/- 1,028
Minimum for the period	**+/-1,441**	+/-1,013

* *Parallel increase in rates would have a positive impact on earning whereas parallel decrease have a negative effect.*

In arriving at the above result the Company considered only rate sensitive assets and liabilities.

Kirigalpotta - the clean, crisp air of the high mountains reinforces the strength and purity of our fertile native soil. | ***Photography by Naleen Wijesinghe***

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TEN YEAR SUMMARY

	2021 LKR '000	2020 LKR '000	2019 LKR '000	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000	2013 LKR '000	2012 LKR '000
Operating results										
Interest income	5,978,562	6,533,974	6,995,603	6,472,115	4,825,712	3,746,374	3,584,165	3,528,336	2,861,923	1,884,502
Interest expense	3,215,269	3,681,611	3,759,531	3,410,064	2,402,305	1,701,766	1,750,532	1,868,499	1,524,288	841,034
Net interest income	2,763,293	2,852,363	3,236,072	3,062,051	2,423,408	2,044,607	1,833,634	1,659,838	1,337,635	1,043,467
Other operating income	363,594	223,008	300,278	298,215	312,424	218,173	131,220	94,950	113,678	131,523
Profit before taxes on financial services	949,045	722,491	1,179,270	1,607,203	1,280,293	971,116	697,029	657,054	735,545	692,960
Profit before income taxation	707,345	528,729	929,284	1,357,416	1,119,133	882,550	647,444	622,417	680,482	634,872
Profit for the year	554,745	227,831	950,604	1,004,671	860,971	613,182	539,639	534,942	578,526	476,450
Dividends paid	–	68,851	228,296	213,077	185,899	166,330	107,625	214,901	132,886	127,016
Balance sheet										
Assets										
Cash and near cash items	6,987,420	3,736,574	4,631,749	5,220,436	4,923,750	3,496,397	2,796,849	2,073,101	1,860,837	1,277,793
Investments	523,974	393,621	182,498	200,486	159,733	98,637	103,701	86,912	69,047	61,299
Loans and advances	27,562,085	27,233,010	29,069,749	27,801,785	23,757,588	16,908,140	13,582,928	12,675,542	11,559,936	8,968,566
Investments in subsidiary	328,302	328,302	320,000	320,000	320,000	320,000	320,000	20,000	20,000	–
Property and equipment	1,951,779	2,156,478	2,332,831	1,803,149	1,516,891	1,194,663	1,122,864	857,732	629,823	557,758
Right-of-use asset	409,875	388,931								
Other assets	139,953	157,608	246,236	757,962	240,865	252,107	146,677	156,390	129,935	152,086
Total assets	**37,903,389**	**34,394,525**	**36,783,063**	**36,103,819**	**30,918,827**	**22,269,945**	**18,073,018**	**15,869,676**	**14,269,579**	**11,017,502**
Liabilities										
Deposits from customers	11,546,422	11,222,611	10,008,976	9,507,134	7,230,873	6,510,033	6,541,896	5,624,399	3,412,464	2,732,031
Borrowings	16,935,935	11,689,435	17,262,978	15,376,359	13,743,732	8,691,685	4,787,693	3,423,011	6,136,152	4,805,838
Debentures	1,768,323	4,319,529	2,732,048	4,399,896	4,992,786	3,059,849	3,579,737	4,157,346	2,618,281	1,771,753
Deferred tax liability	319,294	402,371	461,314	860,681	607,702	434,104	197,116	155,732	199,093	178,788
Lease liability	377,500	344,724								
Dividends payable	9,333	8,875	7,347	6,266	5,337	4,454	6,280	57,295	3,648	2,427
Other liabilities	987,199	996,673	1,013,359	921,997	676,780	576,461	426,451	350,110	325,894	399,961
Total Liabilities	**31,944,008**	**28,984,219**	**31,486,023**	**31,072,332**	**27,257,209**	**19,276,586**	**15,539,171**	**13,767,894**	**12,695,532**	**9,890,798**
Equity										
Stated capital	1,587,863	1,587,863	1,587,863	1,587,863	1,008,062	1,008,062	1,008,062	747,152	533,680	533,680
Statutory reserve fund	460,036	430,036	415,036	365,036	310,036	265,036	230,036	195,036	165,036	130,036
Other reserves	4,761	4,100	3,894	7,171	4,361	3,775	–	170,629	154,760	97,059
Retained earnings	3,906,721	3,388,308	3,290,248	3,071,416	2,339,158	1,716,486	1,295,749	988,966	720,571	365,928
Total equity	**5,959,381**	**5,410,307**	**5,297,041**	**5,031,486**	**3,661,618**	**2,993,359**	**2,533,847**	**2,101,783**	**1,574,047**	**1,126,704**
Total liabilities and equity	**37,903,389**	**34,394,525**	**36,783,063**	**36,103,819**	**30,918,827**	**22,269,945**	**18,073,018**	**15,869,676**	**14,269,579**	**11,017,502**

KEY RATIOS AND INDICATORS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Performance indicators										
Return on average total assets (%)	1.53	0.64	2.61	3.00	3.24	3.04	3.18	3.55	4.58	5.40
Return on average shareholders' funds (%)	9.76	4.26	18.41	23.11	25.87	22.19	23.28	29.11	42.84	51.23
Net interest margin (%)	8.44	8.82	9.70	9.93	9.87	11.12	11.78	11.78	11.30	12.83
Growth of interest income (%)	(8.50)	(6.60)	8.09	34.12	28.81	4.53	1.58	23.29	51.87	26.22
Growth of profit for the year (%)	143.49	(76.03)	(5.38)	16.69	40.41	13.63	0.88	(7.53)	21.42	114.23
Growth of loans and advances (%)	1.21	(6.32)	4.56	17.02	40.51	24.48	7.16	9.65	28.89	66.14
New advances disbursed (LKR Mn.)	11,167	11,663	17,000	17,600	17,290	11,869	8,264	6,861	7,009	7,325
Net flow of deposits (LKR Mn.)	324	1,214	502	2,276	721	(32)	917	2,212	680	345
Borrowings obtained (LKR Mn.)	1,215	1,000	7,300	6,740	7,800	5,500	3,383	1,860	3,703	4,569
Debentures issued (LKR Mn.)	–	1,750	–	–	3,000	–	–	2,410	1,216	565
Capital expenditure incurred (LKR Mn.)	136	206	932	359	641	351	473	408	214	243
Gross non-performing asset ratio (%)	6.47	7.03	4.93	2.28	1.64	2.02	4.30	3.48	1.07	1.18
Investor information										
Earnings per share (LKR)	7.65	3.14	13.12	13.97	13.20	9.40	8.27	8.63	10.64	8.93
Dividends per share (LKR)	–	0.95	3.15	3.00	2.85	2.55	1.65	3.66	2.49	2.38
Net assets per share (LKR)	82.23	74.65	73.09	69.42	56.14	45.89	38.85	35.80	29.49	21.11
Interest cover (times)	1.17	1.06	1.25	1.29	1.36	1.36	1.31	1.29	1.38	1.57
Dividends cover (times)	–	3.31	4.16	4.72	4.63	3.69	5.01	2.49	4.35	3.75
Dividend payout ratio (%)	–	30.22	24.02	21.21	21.59	27.13	19.94	40.17	22.97	26.66
Capital and leverage										
Core capital (%)	16.69	15.48	14.46	16.86	14.19	15.82	16.54	14.00	11.41	10.51
Total capital (%)	21.66	21.54	15.49	17.65	16.08	19.90	22.97	20.93	11.31	10.51
Equity as a percentage of total assets (%)	15.72	15.73	14.40	13.94	11.84	13.44	14.02	13.24	11.03	10.23
Equity as a percentage of total deposits and borrowings (%)	19.70	19.87	17.65	17.18	14.10	16.39	17.00	15.92	12.94	12.10
Growth of total assets (%)	10.20	(6.49)	1.88	16.77	38.84	23.22	13.88	11.21	29.52	66.44
Growth of net assets (%)	10.15	2.14	5.28	37.41	22.32	18.13	20.56	33.53	39.70	53.64
Earnings retention ratio (%)	100.00	69.78	75.98	78.79	78.41	72.87	80.06	59.83	77.03	73.34
Total deposit liabilities to capital (%)	51.61	48.21	52.92	52.92	50.64	45.98	38.73	37.37	46.13	41.24
Debt to equity ratio (times)	3.14	2.96	3.77	3.93	5.12	3.93	3.30	3.61	5.56	5.84
Liquidity										
Liquid assets as a percentage of total assets (%)	6.47	10.86	12.59	14.46	15.92	15.70	15.48	13.06	13.04	11.60
Liquid assets as a percentage of total deposit liability (%)	21.24	33.30	46.28	54.91	68.09	53.71	42.75	36.86	54.53	46.77
Operational										
Number of branches	59	59	59	54	49	39	39	39	39	30
Number of service centres	41	41	41	41	41	41	41	24	13	15
Number of pawning centres	32	29	26	26	18	13	11	11	6	1
Number of staff	807	797	794	745	690	627	601	492	414	347
Staff productivity (LKR '000)	877	663	1,170	1,822	1,622	1,408	1,077	1,265	1,644	1,830

BRANCH/SERVICE CENTRE NETWORK

Branch	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 South, Angoda	+94 11 241 7780	+94 11 241 7785
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura	+94 25 223 7969	+94 25 223 7989
Athurugiriya	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 03	2nd Floor, 267, Galle Road, Colombo 03	+94 11 230 1301	+94 11 230 1937
Dambulla	No. 357, Matale Road, Dambulla	+94 66 228 5530	+94 66 228 5535
Dehiattakandiya	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 (First 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

Branch	Address	Telephone	Fax
Kotahena	No. 178 (Third Floor) George R De Silva Mawatha, Colombo 13	+94 11 244 1261	+94 11 244 1267
Kuliyapitiya	No. 74 1/1, Hettipola Road, Kuliyapitiya	+94 37 228 4630	+94 37 228 4635
Kurunegala	No. 91, 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, Kings 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. 215, New Colombo Road, Mawanella	+94 35 224 7626	+9435 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 Kilometre 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. 383/1, 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	No. 128/B/1, Kurunegala Road, Puttalam	+94 32 226 6783	+94 32 226 6789
Ratnapura	No. 394, Main Street, Ratnapura	+94 45 222 6890	+94 45 222 6895
Thambuththegama	No. 185/158, Regina Junction, Thambuththegama	+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, Haputhale Road, Welimada	+94 57 224 5684	+94 57 224 5690
Wennappuwa	No. 272/1/1, Chilaw Road, Wennappuwa	+94 31 224 5226	+94 31 224 5271

Service Centre	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. 316 H, Kandy Road, Kadawatha	+94 11 292 9010	+94 11 292 9090
Kalmunai	No. 202, Batticaloa Road, Kalmunai	+94 67 222 6860	+94 67 222 6865
Kalutara	First 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. 130 A, 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	No. 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
Tissamaharama	No. 60, Palliyawatta Road, Thissamaharama	+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	No. 577, Galle Road, Colombo 06	+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

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102-10	Significant changes to the organisation and its supply chain	35	Supply chain and procurement policy
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Strategy			
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GRI standard	Disclosure	Page number(s)	Report commentary title
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GRI 200 : Economic			
GRI 201 : Economic performance			
201-1	Direct economic value generated, and distributed	32	Value added and distribution statement
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201-4	Financial assistance received from Government	–	No financial assistance received from the government
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GRI 405 : Diversity and equal opportunity 2016			
405-1	Diversity of governance bodies and employees	40	Diversity and inclusion
405-2	Ratio of basic salary, and remuneration of women to men	132	Defined benefit plan
GRI 406 : Non-discrimination			
406-1	Incidents of discrimination, and corrective actions taken	–	No such incidents were reported during the year under review
GRI 408 : Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	41	Health, safety, and protection
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GRI 418 : Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	–	No complaints were reported with this regard during the year under review

NOTICE OF MEETING

Notice is hereby given that the 52nd Annual General Meeting of the Shareholders of the Company will be held on 1 September 2021 at 10.00am at Senkadagala Finance PLC, Head Office at 02 Floor, 267, Galle Road, Colombo 03 via Audio/Video Virtual AGM for the following purposes.

1. To receive and consider the statement of accounts for the year ended 31 March 2021 with the Annual Report of the Board of Directors and Auditors' Report thereon.
2. To declare a final dividend of LKR 90,076,147.16 (LKR 1.16 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 2021/22 and authorise the Board of Directors to determine their remuneration.
4. To authorise the Board of Directors to determine donations for the year 2021/22.

By Order of the Board of
Senkadagala Finance PLC

Sgd.

Mrs C Salgado

Managers and Secretaries (Private) Limited
Secretaries

Colombo, Sri Lanka

5 July 2021

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*
Mrs L Fernando of Colombo or failing her*
Mr S D Bandaranayake 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 N Vasantha Kumar of Colombo or failing him*
Dr (Ms) R A Perera of Colombo or failing her*

Mr/Mrs/Dr .... of......................................

.... as my/our* proxy
to attend and vote at the 52nd Annual General Meeting of Senkadagala Finance PLC to be held at the Registered Office of the Company, 2nd Floor, 267, Galle Road, Colombo 03 on 1 September 2021 at 10.00am and at any adjournment thereof.

		For	Against
1.	To receive and consider the statement of accounts for the year ended 31 March 2021 with the Annual Report of the Board of Directors and Auditors' Report thereon.		
2.	To declare a final dividend of LKR 90,076,147.16 (LKR 1.16 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 2021/22 and authorise the Board of Directors to determine their remuneration		
4.	To authorise the Board of Directors to determine donations for the year 2021/22.		

Signed on this.. day of................................ 2021.

....
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 as to completion of proxy form

1. In order to appoint a proxy, this form shall in the case of an individual be signed by the shareholder or by his/her Attorney and in the case of a company/corporation, the form of proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
2. The full name, NIC No. and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the form of proxy.
3. This duly completed form of proxy must be deposited at the Registered Office of the Company at Senkadagala Finance PLC, No. 267, Colombo 3 or e-mailed to info@senfin.com not less than 48 hours prior to the time appointed for holding of the meeting.
4. In the case of a proxy signed by an Attorney, the relevant Power-of-Attorney or a certified copy thereof should also accompany the completed form of proxy and must be deposited at the Registered Office of the Company or email as above noted.

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 03,
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

17,500,000 Subordinated, unsecured, redeemable debentures of LKR 100/- each – August 2019 to August 2024 with fixed rate interest payments

Credit Rating

Fitch Ratings Lanka Ltd. affirmed BBB+ (lka) with a stable outlook, in September 2020

Board of Directors

Mr W M R S Dias
FCIBC (Lon), LLB
Hubert H. Humphrey Fellow
Chairman

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
(Deceased on 13 November 2020)

Ms L Fernando
BSc(Hons)
Executive Director

Mr S D Bandaranayake
BSc (University of Sri Lanka)
Executive Director - Additional CEO

Mr D T P Collure
BSc (Colombo)
Independent Non-Executive Director
(Retired w.e.f. 10 May 2021)

Mr Senanayakege R Pushpakumara
FCA, BCom (Special) (USJ),
PG Dip (B Mgt)
Independent Non-Executive Director

Mr N Vasantha Kumar
MBA, Dip
(Professional Treasury Management)
Independent Non-Executive Director

Dr (Ms) R A Perera
PhD (Melb), MPA (Harvard)
Independent Non-Executive Director
(Appointed w.e.f. 22 September 2020)

Secretaries

Managers and Secretaries (Pvt) Ltd.
8, Tickell Road, Colombo 08

Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan
Markar Mawatha,
Colombo 03

Legal Consultants

Nithya Partners
Attorneys-at-Law
97/A, Galle Road, Colombo 03

Internal Auditors

Ernst & Young Advisory Services (Pvt) Ltd.
839/2, Peradeniya Road, Kandy

Bankers

Commercial Bank of Ceylon PLC
National Development Bank PLC
Hatton National Bank PLC
Sampath Bank PLC

★

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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