Annual Report 2021/22

SENKADAGALA FINANCE PLC

Emerging Stronger

Senkadagala Finance PLC has given a helping hand to many fledgling entrepreneurs, of whom I am only one. Little did I know that after finishing my school education, my brief training at a ceramic shop would create a career path for me and lead me to becoming the owner of a small but thriving business.

I stumbled on this occupation of producing stoneware ceramics quite unexpectedly. I was introduced to working at a ceramics lab as I awaited my A-Level results. Spending time in the lab and training in the various segments of the industry birthed my curiosity of the different properties used in the clay production. It was here that I started testing different properties and materials of clay and becoming intrigued by the results. Under a trainer and a supervisor, I continued my sampling and testing for the next six months. I gained insights into how far the industry has moved from simple beginnings, and this inspired me to strike out on my own.

ATI Ceramics was established specialising in stoneware ceramics segment, which became my passion. Once production began, demand for our products outstripped supply. Procuring raw materials at a uniform, superior standard was always a challenge and transportation issues emerged as another obstacle. It was imperative that we acquire our own vehicles. It was Senkadagala Finance PLC that came to our aid by providing us with two vehicle leases, which expedited turnaround times for my business and helped its growth.

Support for small-scale enterprises is vital especially in an industry like mine, which faces many barriers to progress. For example, even though the industry pays well since all the work is handcrafted, we struggle with attracting an adequate supply of human resources. There are many people in the community with varying specialties and talents, but they are deterred from entering such industries due to lack of knowledge and awareness. Creating pathways for people to enter industries like ours – along with creating networks to connect consumers with small-scale enterprises – can play a vital role in the economic revival of the country.

K. H. Ruwan Iranga Wijayarathna

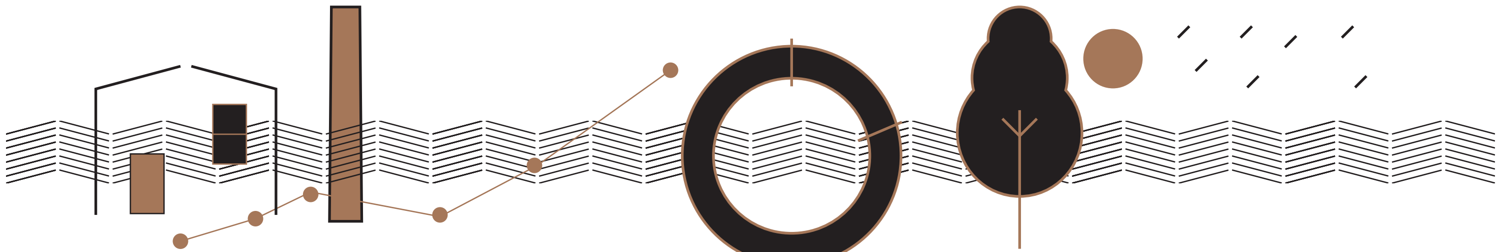
Senkadagala Finance PLC with its Annual Report 2021/22 is exploring the process of manufacturing stoneware ceramics to shed some light upon the industry.

Emerging Stronger

The Company's perseverance with a proven business model underpinned by a pragmatic strategy has helped us emerge stronger in this year of challenge. Several tweaks we made to our product and service offerings made the Senkadagala proposition more customer-oriented than ever, and these and other like measures allowed the Company to grow in profitability. Another vindication of our strength and sustainability and the reputation the Company enjoys was manifested through our ability to attract US dollar funding, which we achieved within an inclement economic climate.

Contents

About this Report



This is our sixth Report following the adoption of the Integrated Reporting framework, and it has been structured to provide an overview of how Senkadagala Finance manages to create value for its many stakeholders through its business activities. It hopes to present a comprehensive and fair appraisal of the impact of corporate operations on shareholders and investors, customers, employees, society and on the environment. The value-creating ability of the Company is assessed in the short, medium and long-term.

Boundaries to the Report

The focal point of the Report is the operations of Senkadagala Finance PLC and its subsidiaries – Senkadagala Insurance Brokers (Pvt) Ltd. and Senfin Asset Management (Pvt) Ltd. All business operations are carried out by these companies, based in Sri Lanka.

Framework of Reporting

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

The reporting period coincides with the Company's financial reporting cycle which covers a 12-month period from 1 April 2021 to 31 March 2022. An annual reporting cycle is followed when reporting on financial aspects, and sustainability aspects are reported in accordance with the GRI standards. Further, all applicable laws, regulations, directions, and standards are adhered to along with the relevant guidelines of disclosure.

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

Since its incorporation in the hill country city of Kandy in 1968, Senkadagala Finance PLC has grown steadily to become one of the most recognised and largest licensed financial institutions in the country. It is a well established financial entity that has expanded in reach and scope throughout Sri Lanka, with a branch network of 100 outlets across all nine provinces. Currently it operates from 80 branches and 20 service centres with plans to expand further.

The scope of services it offers encompasses finance leasing, lending, acceptance of deposits in the form of fixed deposits and savings deposits, pawn brokering and foreign currency exchange services. Asset management and insurance brokering, services are carried out at a Group level. Senkadagala Insurance Brokers (Pvt) Ltd. began offering insurance brokering in 2012 and continues to do so. Senfin Asset Management (Pvt) Ltd. is a company acquired in 2020 that added asset management to the Group's portfolio. Senkadagala Finance has a 100% holding in both its subsidiaries: Senkadagala Insurance Brokers (Pvt) Ltd. and Senfin Asset Management (Pvt) Ltd.

The Company was registered on the *Diri Savi* Board of the Colombo Stock Exchange in March 2011. Fitch Ratings placed the Company in BBB+ (lka) Rating Watch Negative in April 2022 along with other industry peers, noting the heightened risk faced due to the economic and financial market volatility in the country. With a veteran management team, high liquidity levels and capital ratios well above the regulatory requirement, the Company is well positioned to weather the volatile economic condition of the country.

Group Structure

Parent Company

Senkadagala Finance PLC

Subsidiary

Senkadagala Insurance Brokers (Pvt) Ltd.

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

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 and discretionary portfolios
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 Mr S D Bandaranayake

Highlights of the Year

Company

	2022	2021	Change %
Financial Results of the Year (LKR Mn.)			
Total income	**6,345**	6,342	0.04
Interest income	**6,021**	5,979	0.70
Net interest income	**3,590**	2,763	29.93
Profit before taxes on financial services	**1,513**	949	59.43
Profit before income tax	**1,186**	707	67.62
Profit for the year	**903**	555	62.77
Dividends paid	**90**	–	100.00
Earnings retained during the year	**850**	548	55.03
Financial Position (LKR Mn.)			
Loans and advances	**26,102**	27,562	(5.30)
Total assets	**38,997**	37,903	2.89
Deposit base	**10,824**	11,546	(6.26)
Borrowings	**17,139**	16,936	1.20
Debentures	**1,769**	1,768	0.01
Shareholders' funds	**7,646**	5,959	28.30
Operational Results of the Year (LKR Mn.)			
New advances disbursed	**14,470**	11,167	29.58
Net flow of deposits	**(722)**	324	(322.97)
Borrowings obtained	**3,604**	14,453	(75.07)
Capital expenditure incurred	**113**	136	(16.95)
Information per Ordinary Share (LKR)			
Market price per share	**541.25**	Not traded	–
Earnings per share	**10.97**	7.20	52.37
Dividends per share	**1.16**	–	100.00
Net assets per share	**88.62**	82.23	7.77

	2022	2021	Change %
Key Performance Indicators			
Return on average total assets (%)	**2.35**	1.53	0.82
Return on average shareholders' funds (%)	**13.27**	9.76	3.51
Net interest margin (%)	**10.16**	8.44	1.72
Gross non-performing loans ratio (%)	**7.94**	6.47	1.47
Interest cost to interest earned ratio (%)	**40.37**	53.78	(13.41)
Interest cover (times)	**1.49**	1.22	22.13
Equity to assets ratio (%)	**19.61**	15.72	3.89
Debt to equity ratio (times)	**2.47**	3.14	(21.34)
Price earning ratio (times)	**49.34**	12.77	286.37
Dividends yield (%)	**0.21**	–	100.00
Statutory Regulated Ratios			
Core capital ratio (%) – Minimum statutory requirement 7%	**22.75**	16.69	6.06
Total capital ratio (%) – Minimum statutory requirement 11%	**26.89**	21.66	5.23

Non-financial indicators

Branches

2022	2021	Change %
80	59	35.59

Service centres

2022	2021	Change %
20	41	(51.22)

Staff strength

2022	2021	Change %
802	807	(0.62)

Customers served

2022	2021	Change %
77,864	76,669	1.56

Rating

Fitch Ratings (Lanka) Ltd.

2022	2021
BBB+ (lka) RWN	BBB+ (lka) Stable

Chairman's Message

In view of the current economic condition and outlook of the country, Senkadagala Finance has taken proactive measures to increase its provision coverage ratio with the objective of maintaining it over 100%.

It is with great pleasure that I present the Integrated Annual Report of Senkadagala Finance PLC for the year ended 31 March 2022. Despite the challenges of the year, the Company achieved a growth rate of 62.77% in profit after tax.

The financial year began on a positive note with the COVID-19 pandemic appearing to be waning. However, this was short-lived and lockdowns were imposed end of April 2021. Implementation of lockdowns periodically necessitated at the Company to adopt a work from home routine.

The absence of physical interactions and communications with customers made day-to-day operations of the entity somewhat demanding. The ICT-backed culture provided relief to a certain extent. However, the Company reverted to its on-site functions as soon as the waves of infection were brought under control, all the while maintaining social distancing and complying with the required health guidelines. During this time, the Management swiftly stepped into establish new lines of communication and transaction with its customers by way of text messages to customers, Internet Payment Gateways, direct settlement through various banks, etc.

Strategic Moves

The Management prioritised maintaining the quality of its asset portfolio throughout the year. The improvements to the credit evaluation system during the year is expected to provide a more relevant and accurate assessment of loan applications in the light of the economic turbulence prevalent in the nation. A more robust recovery system was set in place to closely monitor and to proactively identify the collection trends, initiate recovery actions, and evaluate potential customer creditworthiness. This is expected to improve the overall asset quality of the Company in the long term.

In view of the current economic condition and outlook of the country, Senkadagala Finance has taken proactive measures to increase its provision coverage ratio with the objective of maintaining it over 100%.

While the Management ensures that sound risk management practices are in place in the backdrop of the current economic condition of the country, creating sustainable growth and value for the future of the entity is also at the centre of its attention. As such, two rights issues were concluded during the financial year – in April 2021 and in November 2021 – infusing the Company capital base with a further LKR 836.9 Mn. Thereby, the Company was also able to maintain capital ratios well above the stipulated capital adequacy requirements set by the CBSL.

Securing the Long-Term

The Management was focused on maintaining high liquidity levels throughout the year to brace itself against any adverse operational conditions that would stem from the economic conditions that prevailed. As a result, the Company was able to fortify its relations with the national and international investors and lenders, resulting in another loan from a foreign investor which was secured during the year. Advised by Incofin Investment Management, Microfinance Enhancement Facility (MEF) granted a USD 5 Mn. facility to the Company in December 2021, in acknowledgement of the strong financial position maintained at all times by the Company.

The Company goal of greater market share and higher profits was pursued while trying to mitigate and control the risk exposure of its strategic moves. A top down approach to risk management and risk identification has empowered the Company's success. An efficient audit arm has helped to keep these objectives on track. The IRMC and the Audit Committee play a vital role in these functions.

Continuous monitoring and effective engagement with the customer has enabled the Company to inculcate sustainable business practices in its customer base as well. Sustainable initiatives adopted by the Company have helped to build, maintain and improve reputation, meet customer expectations, and develop new growth opportunities.

Advised by Incofin Investment Management, Microfinance Enhancement Facility (MEF) granted a USD 5 million facility to the Company in December 2021, in acknowledgement of the strong financial position maintained at all times by the Company.

Senkadagala Finance, being a financial institution engaged in financial intermediary activities, persistently aims to bring about a positive impact on the environment and the society as a whole. The Company's affiliations with foreign investors such as IFC and FMO are bound to have a satisfactory effect on its customers and business partners as well.

New Initiatives to Heighten Customer Experience

A hallmark of Senkadagala Finance has always been the use of state-of-the-art technology in its systems, processes and procedures of its operations. The Company has a strong track record of adopting and launching new initiatives and ventures, such as becoming one of the first companies in the country to provide chip and pin driven VISA debit cards (2013).

Technology-driven operations and advanced system structures has been a major contributory factor to the ongoing success of the Company. The in-house developed system is now connected via an electronic data interchange with its key stakeholders, such as banks, to record collections, CRIB, to get data for credit evaluation; and with insurance companies, to obtain turnaround quotes for insurance premiums for leasing contracts. An additional IPG provider was set up during the year to increase capacity as well as a backup line to ensure continuity. The Management continues to remain committed to embracing new technological advancements in the financial market. These innovations are always done with the customer in mind; the goal is to provide an experience that is effective and convenient.

Similarly, in the year under review, the Company introduced gold scope scanning machines to assess pawning articles. The cutting edge technology of these machines allows the assessing of gold articles at a greater accuracy without causing any impairment. This allows both the customer and the Company to have a more reliable valuation of the item.

To alleviate the economic hardships faced by the Agricultural and SME sector, the Company introduced a new leasing instrument which allows structured repayment on debt based on the customer cash flow or seasonal payments to assist these sectors of the economy.

Acknowledging the Efforts of Our Team and Stakeholders

I would like to take this opportunity to express my appreciation to Mr Lakshman Balasuriya, MD/CEO, Mr Sanath Bandaranayake, Additional CEO, and the entire Board for their support in persevering in unprecedented times such as these to take the Company forward.

I also wish to thank the Senior Management and staff for their unwavering faith and commitment to carrying out the Company's strategies and for maintaining close stakeholder and customer relationships at all times. The commendable steps taken by the Management during the year to maintain close relationships with its key investors and to address their financial concerns managed to garner their support despite the bleak predictions of the financial industry. This helped the Company to end the year in a stronger note than anticipated. I would also like to place on record my thanks to the Central Bank of Sri Lanka for their continuous guidance.

We thank our investors and depositors for the trust vested in the Company in a moment of crisis in the country. We are grateful to our shareholders for investing in both the rights issues carried out during the year further strengthening the stability of the Company. The continuous support of our shareholders is greatly valued and we stay focused on achieving greater success in the coming year.

W M R S Dias
Chairman

28 June 2022

Managing Director/Chief Executive Officer's Review

The Company recorded a profit before tax of LKR 1,186 Mn., a remarkable growth of 67.62% during the year.

We are elated with the improved performance of the Company in the current financial year when compared against the bottom line of the previous year. Despite a challenging operating environment, the Management's perseverance has resulted in a profitable and favourable outlook for the Company.

Solid Financial Performance

The Company recorded a profit before tax of LKR 1,186 Mn., a remarkable growth of 67.62% during the year. The key factors to the growth in profitability were the improved operational efficiency and lucrative funding arrangements that were established throughout the financial year. The acquisition of low cost funding was crucial in bringing stability to the Company.

The total assets of the Company grew marginally by 2.89% YOY to reach LKR 38,997 Mn. The stifled economic activity of the nation resulted in subdued credit growth; but in that context, the improvement of the net interest margin from 8.44% last year to 10.16% in the year under review is a key indication of the meticulous and strategic fund management approach adopted by the Company.

Gross non-performing loans were at 7.94% as opposed to 6.47% recorded in the previous year. The impaired credit quality was primarily due to the weakening economic state of the country and requires close monitoring going forward.

New Initiatives and Partnerships

The Management took several steps throughout the year to sustain the solid financial foundation it always maintained. The two rights issues injected a total of LKR 836.9 Mn. into the Company capital base, correspondingly increasing capital adequacy ratios; both the core capital ratio and the total capital ratio, at 22.75% and 26.89%, respectively, are well above the regulatory requirements.

The Company took further contingent measures in view of the bleak economic predictions for the near future. As such, the Management maintained a strong liquidity position and arranged several credit lines through banks and other investors in order to draw down in any emergency.

The loan contract signed with the Micro Enhancement Facility Fund under the purview and advice of Incofin Investment Management in December 2021, was a tremendous boost to the SME loan portfolio of the Company. It helped the Management expand its presence in this vital customer segment. The ability to draw in funds through foreign entities is a valued opportunity for the Company at a time when local credit lines are scarce – and also a testament to the standing of the Company in the eyes of international providers of financial capital. Strong relationships are maintained with local banks, institutional investors and depositors who continue to vest their trust in Senkadagala Finance PLC. The Management stands committed to upholding their confidence in the Company even in a suppressed economy.

The Management introduced a new system for credit evaluation by linking the system to several internal and external data sources. Automating certain aspects of the credit evaluation system has enabled the Management to carry out the evaluations of potential customers with greater accuracy, significantly reduce the lead time of loan processing, and re-evaluate the evolving credit risk of existing customers. The upgrade of the system will enable the Company to drive the growth and responsive management of the loan book in the year ahead.

Employee Benefits and Welfare

The Management took initiatives to grant all employees a one-time allowance of LKR 15,000/- in the month of December in the hope of easing the high cost of living due to accelerating inflationary rates. The Company also introduced a paternity leave programme consisting of four weeks leave on full pay, thereby providing a new father an opportunity to bond with his newborn child and to support the mother in the early care of the infant. These initiatives, taken during a time when there may be a temptation by corporates to curb costs, affirm the Company's commitment to our employees, who are the key drivers of our success.

Social Relief

In the light of the COVID-19 pandemic and the country's economic condition, the Management sought to identify and work with customers whose businesses and livelihoods had been adversely impacted. As in the previous year, the Company continued to extend moratoria to customers in line with CBSL circulars as well as to identified individual customers who have had long relationships with the Company. Comprehending the difficulties faced by the SME customer base in particular, the Management directed its focus on this particular customer segment and provided as much support as possible to reignite their businesses during these exacting times.

Navigating the Economic Context

The operating conditions for the financial institutions of the country remain difficult after a sovereign default. This has resulted in banks facing high liquidity risks with limited access to cross border funding. A foreign currency shortage has created immense difficulties for both the government and financial entities in fulfilling their foreign exchange obligations. Subdued economic activity, political uncertainty, and increased credit risk have exerted tremendous pressure on the financial markets.

The country's economic outlook remains bleak with inflation predicted to remain high in the near future compounded by supply shortages, depreciation of the Sri Lankan rupee against the US Dollar and a rise in global commodity prices. However, it is envisaged that the tightening of monetary policy by the CBSL, along with bilateral and multilateral assistance and debt restructuring, will help to improve the country's prospects.

To weather the effects of the economic crisis in the country, several strategic measures have been adopted by Senkadagala Finance. Firstly, the management has enhanced capital ratios through a successful conclusion of two rights issues in the financial year, creating a buffer to absorb adverse changes in the economy. Secondly, the Company maintains high liquid assets and has in place undrawn credit lines to absorb any sudden shocks to the system due to macroeconomic conditions. The meticulous management of funding has enabled the Company to lock in the cost of funding at a lower rate, which means that the Company will not be immediately affected by the rising interest rates in the market. And thirdly, the new system developed for credit evaluation has given the Company an opportunity to gain a competitive edge in identifying potential creditworthy customers with shorter turnaround times. All these strategic moves mean that the Company is well placed to disburse loans to customers, help them reignite their businesses and livelihoods, and in doing so, play our part in driving the country's economic recovery.

Appreciation

I would like to extend my appreciation to the Chairman, Additional CEO and the members of the Board for their exemplary guidance and unwavering support to me during this year.

The Senior Management offered their dedicated service to accomplish the goals and targets set forth by the Board. I would like to specially thank those that have diligently served the Company over a long period of employment. Your loyal service, in-depth knowledge and experience have been invaluable to the advancement of the Company.

The staff, who has been the driving force of the Company, strove hard in difficult conditions to achieve targets and results. I, along with the rest of the Board members, appreciate the trust and confidence placed by all stakeholders in us to pursue success even amidst formidable and demanding circumstances.

Lakshman Balasuriya
Managing Director/CEO

28 June 2022

All these strategic moves mean that the Company is well placed to disburse loans to customers, help them reignite their businesses and livelihoods, and in doing so, play our part in driving the country's economic recovery.

Unrefined clay along with combinations of refined clay and powdered or granulated non-plastic minerals are mixed to a creamy consistency with an electric mixer.

Business Model

Our Business Model

From Stakeholders

Inputs

Financial Capital
- LKR 7,646 Mn. in shareholders' funds
- LKR 837 Mn. invested in share capital through Rights issues
- LKR 17,139 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

Business

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

Risk Management Framework
- Regulatory directions and guidelines
- Risk policy
- Emerging risks
- Diversification
- Credit risk management policy

Range of Products and Services
- Leasing and lending products
- Deposit products
- Fee-based services
- Foreign currency operations
- Insurance brokering
- Asset management

Excellent Service Standards
- Customer centric service
- Relationship managers
- Personalised service
- 802 passionate employees

Financial Intermediation

Support

Business

Outputs

Shareholders and Other Investors
- Lending and investment portfolio
- Deposit base
- Sustainable growth
- Return on investment

Institutional Capital
- Enhanced productivity
- Optimum risk-return trade-off
- Improved credit evaluation system
- Benchmarked service standards
- New products developed
- Assurances and confirmation

Outcome

To Stakeholders

Shareholders and Other Investors
- Dividends, interest, and capital gains
- Rights issues
- 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 Ratings
- Innovation

Customer Capital
- LKR 10,824 Mn. in customer deposits
- Findings from customer satisfaction survey

Employee Capital
- 802 employees with a cumulative service of 4,824 years
- Competencies
- Findings from employee satisfaction survey and exit interviews
- 1,193 Training hours for the year

Social and Environmental Capital
- Land, water, energy, paper

Environment

Mission

Units

Maturity Transformation

Network of Delivery Channels
- 80 branches
- 20 service centres
- Website
- Mobile App
- Relationship managers

Streamlined Internal Processes
- Robust core IT system
- Faster approvals
- Sound internal controls
- Prudent policies and procedures

Services

Domain

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
- Asset and liability management
- Contingency funding arrangements
- Funding mix optimisation

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
- CSR activities

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 Licence" to operate

Operating Environment

The Global Economic Outlook

The hard landing with which the year 2022 started off; reeling from the global impact of the COVID-19 pandemic seemingly intensified with the Russian invasion of Ukraine, combined with the universal sanctions imposed on Russia by the international community has sent waves of shock around the global economies. Inflation has taken an upward spiral with a surge in commodity prices and disruptions to the supply chain in the global market. A hike in the prices of oil, gas, base metals and grain could not be averted. Ukraine and Russia together account for more than a quarter of the world wheat trade. The wheat trade is also affected with the disruptions to the trade routes in the Black Sea.

The high energy prices and the disruptions to the supply chain are expected to prolong the elevated inflation rates into the year 2022. An emergence of risk to the financial stability and the capital flow, currencies and fiscal positions – especially with increased debt levels of developing economies is evident as advanced economies lift off policy rates. Inflation at present is considered to be at its highest since 2008, both globally and in advanced economies.

The World Bank predictions of a slow growth rate through the year 2023, for even advanced and emerging economies, is a precursor of a bleak outlook on the global economic setting. A forecast downgrade of the two strongest economies, namely the United States and China is followed closely by the global economic projections. The World Bank forecasts a slowdown of growth rates from 5.5% in 2021, to 4.5% in 2022, and a further cut back to 3.2% in 2023. The IMFs projections as per the April 2022 World Economic Outlook (WEO) Report, is somewhat more pessimistic for 2022, projecting the growth rates as 3.6% for both 2022 and 2023. The notable deceleration of even the strongest economies will weigh heavily on emerging and developing economies.

A new outbreak of a strongly transmissible variant of COVID-19, has seen an increase of cases, and shows signs of prolonging the pandemic. The IMF forecast is highly dependent on a decline of adverse health outcomes, and an effective vaccination process. An outstanding global health strategy is of importance to combat the risk of emerging new COVID-19 variants.

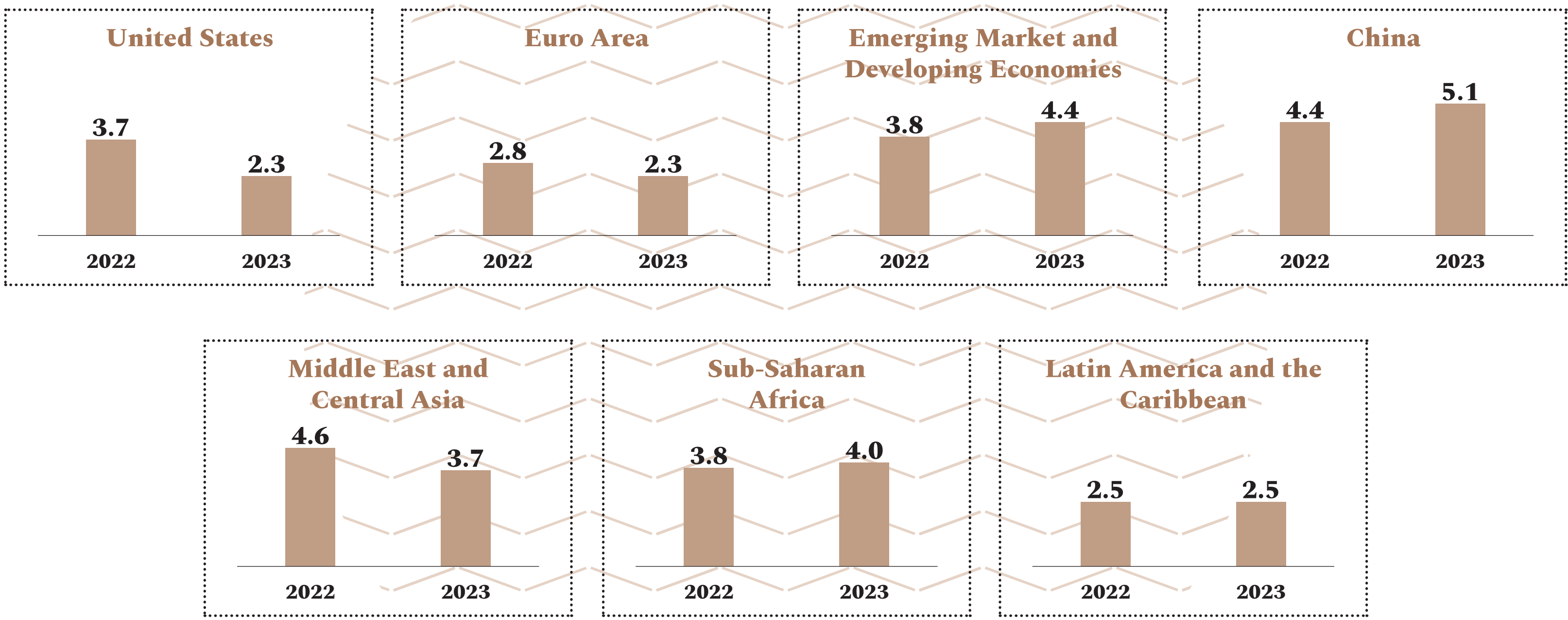
South Asian Economic Outlook

South Asia's economy rebounded in the second half of the year 2021 following a backlash from a second wave of the COVID-19 pandemic. Growth prospects in the region have improved mainly due to the better prospects in Bangladesh and India. Regional growth is expected to accelerate to 7.6% in 2022 due to the slowdown of the pandemic, before slowing down to 6% in the year 2023. Despite the revised upward growth in 2023, the output is projected to be almost 8 percent lower than the earlier pre-pandemic forecasts.

Consumer inflation has however been above the targets of the central banks of the major economies. Most economies of the region are expected to remain accommodative of their monetary and fiscal policies, with a gradual shift of focus on fiscal sustainability and anchoring inflation.

Operating Environment

The Global Economic Outlook



Source: IMF WEO Report, April 2022

(Percentage change, unless noted otherwise)

Operating Environment

South Asian Country Forecasts

(Annual percentage change unless indicated otherwise)

GDP at market prices (average 2010-2019 USD)	2019	2020	2021e	2022f	2023f
Calendar year basis					
Afghanistan	3.9	-1.9			
Maldives	6.9	-33.5	22.3	11.0	12.0
Sri Lanka	2.3	-3.6	3.3	2.1	2.2

	2018/19	2019/20	2020/21e	2021/22f	2022/23f
Fiscal year basis					
Bangladesh	8.2	3.5	5.0	6.4	6.9
Bhutan	4.4	-2.4	-3.7	5.1	4.8
India	6.5	4.0	-7.3	8.3	8.7
Nepal	6.7	-2.1	1.8	3.9	4.7
Pakistan	2.1	-0.5	3.5	3.4	4.0

Source: World Bank Global Economic Prospects Report 2022

Note: e = estimate; f = forecast.

Forecast for Afghanistan beyond 2020 is excluded because of a high degree of uncertainty.

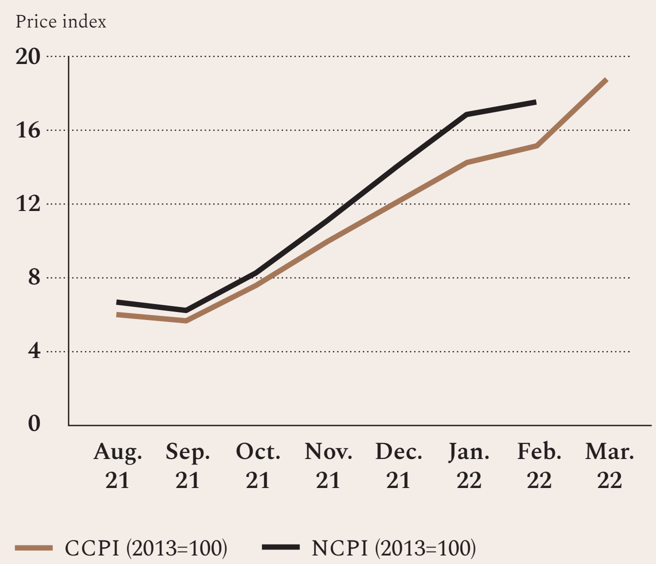
Economic Developments in Sri Lanka

A prompt response of the vaccination campaigns carried out throughout the island nation improved the nation's outlook of the COVID-19 pandemic. However, lack of macroeconomic buffers and credible policies to contain risks of disruption to trade and investment channels over long periods, have cost the country during the period of the pandemic.

Pre-pandemic tax reductions combined with the impact of the COVID-19 led to fiscal deficits greater than 10% of the GDP in the year 2020 and 2021. A rapid increase of public debt amounting to 115.5% of GDP was observed at the end of 2021, compared with 109.4% at the end of 2020. A decline of foreign currency reserves and large-scale direct lending by the Central Bank of Sri Lanka has led to a widening current account deficit and exhaustive external debt repayments.

A contraction of real GDP by 3.6% was seen in 2020, due to a loss of revenue from the tourism industry and the lockdown measures. The GDP growth seems to have recovered to 3.7% by the end of 2021 with tourist arrivals picking by the year end. All main sectors of the economy (agriculture, industry, and services), registered growth rates in 2021. The IMF real growth projections of the GDP for the year 2022 stands at 2.6%, a decline from 3.6% in the year 2021.

Headline Inflation



Year on year percentage change

Source: Central Bank of Sri Lanka, Monetary Policy Review: No. 3 - April 2022

Operating Environment

The year on year inflation has risen to 18.7% in March 2022 and is expected to increase in the coming quarters, exceeding the target band of 4-6%. Since mid 2021 strong inflationary pressures have built up due to both demand and supply factors.

The official exchange rate which was pegged to the US dollar in April 2021 was floated in March 2022, causing a steep fall of the Sri Lankan rupee. The depreciation of the rupee since its float is considered to have a significant effect on inflation rates. The economic outlook of Sri Lanka is also constrained with a debt service projected around USD 7 Bn. for the year 2022. As at end April 2022, the foreign reserves had dropped to USD 1,827 Mn.

The country presently suffers from lack of foreign exchange needed for crucial essentials such as fuel, food and medicines. On the 12 of April the Central Bank of Sri Lanka announced their inability to service their external debt anymore. Sri Lanka's sovereign credit rating has also been downgraded to Ca, CC and C by Moody's, S&P and Fitch ratings respectively, foretelling imminent probability of default. The assistance of the International Monetary Fund has been sought in the form of a Rapid Financing Instrument to mitigate the concerns of the supply chain. However, the recovery of the economy is contingent on the social and political stability.

Performance of the Financial Sector

The COVID-19 pandemic, along with the economic crisis the nation faces, continues to exert pressure on the operative environment of finance and leasing companies. The challenges of the operating environment could be expected to place pressure on loan demand, asset quality and profitability.

Macroeconomic strains of the country and its sovereign credit profile undoubtedly poses a threat to the financial sector, which is likely to face asset quality pressure and have a detrimental effect on the borrowers' repayment capacity. Sri Lankan banks face pressure on their asset-quality from their government securities holdings, especially those denominated in foreign currency.

Fitch-rated banks' Stage 3 (impaired) loans ratio has remained the same since 2019. Lending quality has remained unimpaired due to assigning of relief measures. However, it was evident that pressure was exerted on the quality of assets by the high loan impairment charges imposed and the rise in Stage 2 loans. Stage 3 loans are expected to increase in the year 2022. Despite an increase of non-performing loans, a sharp rise in the ratio would be hidden by the robust loan growth to be expected over the year. Fitch Ratings has estimated the weakening of the Sri Lankan economy in the year 2022 to cause a drop in the growth to a 2.0 percent.

Following the monetary tightening measures by the Monetary Board of the Central Bank of Sri Lanka, the market rates and the deposit interest rates have been adjusted, in order to attract deposits to the banking system and thereby absorb the excessive amount of currency in circulation. Yields on government securities have also increased noticeably.

The severity of the external shocks was met by the Monetary Board of the Central Bank of Sri Lanka with a policy package to enhance macroeconomic stability. Increase of the Standing Deposit Facility Rate and the Standing Lending Facility Rate and revision of interest rate caps on credit cards, overdraft facilities and on pawning facilities were reinforced to bring in stability.

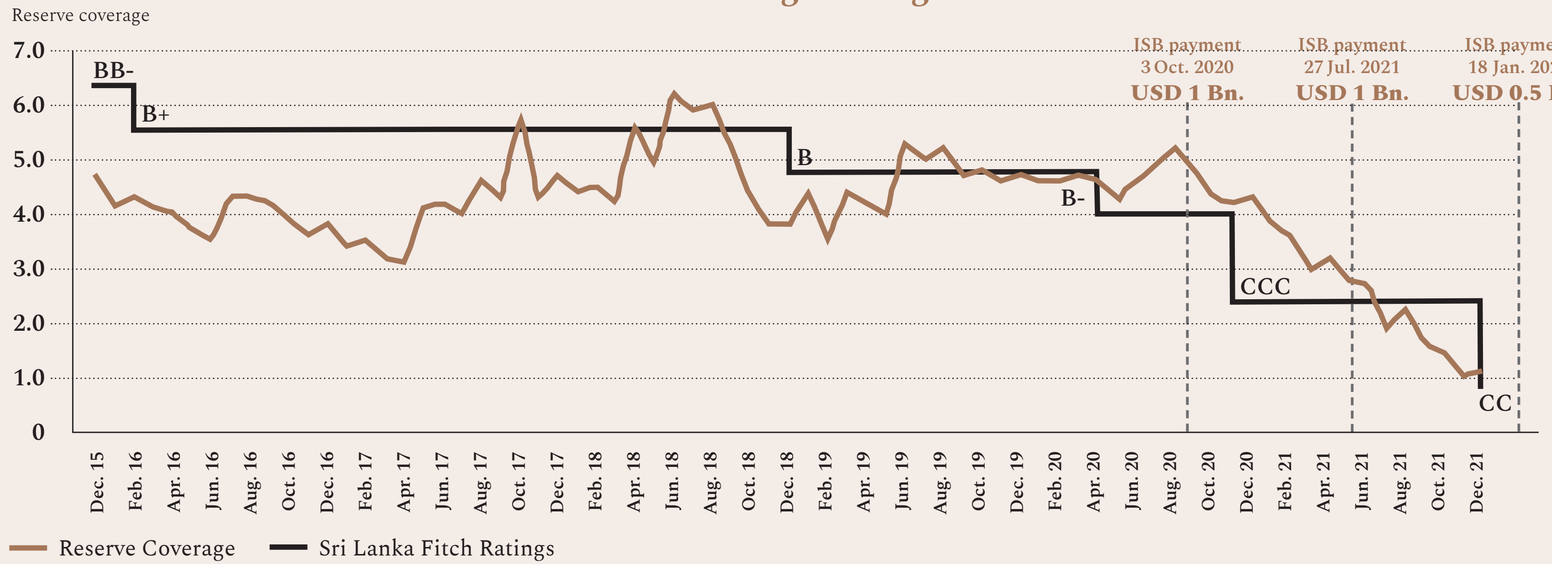
Conclusion

Whatever the immediate challenges of the war in Europe and the pandemic, policymakers should not lose sight of the longer term goals. Governments should strive to implement positive structural changes, leveraging the potential of digitalisation where possible. The looming threat of global warming should not be forgotten.

Sri Lanka faces daunting challenges, both fiscal and those caused by external imbalances. The foreign exchange crisis is constraining imports, both of essential consumer items as well as industrial raw materials. The situation is being aggravated by the impact the Ukraine war is having on fuel prices. The purchasing power of the less fortunate segments of society is being severely eroded. Urgent action is needed to mitigate the high levels of debt and debt service, reduce the fiscal imbalance, control inflation, and cushion the impact on the poor and vulnerable. Tax collection needs to be increased to reduce the fiscal deficit. The external debt too has to be managed sustainably.

It cannot be denied that there is a long hard road ahead and difficult decisions need to be taken. However, if the necessary policy decisions are accepted and properly executed, we may yet see the light at the end of the tunnel.

Official Foreign Currency Reserves V Credit Rating Downgrades



Note: December 2021 reserves exclude the Yuan 10 Bn. swap with the People's Bank of China since it is not clear whether this can be used to settle USD denominated liabilities.

Source: https://publicfinance.lk/en/topics/sri-lanka-s-fitch-credit-ratings-have-been-downgraded-5-times-during-the-6-year-period-december-2015-december-2021-1643194564

Stakeholder Engagement

Identification

The value of the Company is generated and sustained through the identification of the key elements of its business model and its interactions with its many stakeholders while engaging in its business activity. Senkadagala Finance places great importance on identifying the needs of its stakeholders and incorporates the same when establishing its strategic plans and goals.

Stakeholder	Impact of the stakeholder	Influence of stakeholder on SFPLC	Influence of SFPLC on the stakeholders
Shareholders and other investors	Shareholders and other investors remain key stakeholders of the Company having invested capital/funding for the Company. On a periodic basis investors are provided with information on various covenants, information on Company performance and corporate governance.	High	High
Customers	Customers play a vital role in the success of SFPLC's business. The Company provides financial support to the customers while customer retention, sustained business and growth in business directly impact the profitability of the Company.	High	High
Employees	Employees drive the business forward. They grow and develop hand-in-hand with the Company.	High	High
Suppliers and business partners	Suppliers ranging from motor vehicle dealers to suppliers of stationery items, have become increasingly important to SFPLC with the macroeconomic developments.	High	High
Government and regulatory authorities	As a listed company and a NBFI holding public deposits, the Company has to conduct its operations in accordance with the rules set by various regulators.	High	Medium
Society and environment	The society and the environment are closely interlinked with the operations of the Company.	Medium	Low

Stakeholder Engagement

Below are the details of various stakeholder engagement activities carried out by the Company and their frequency, areas of concern and the ways in which they were addressed.

Stakeholder	Engagement activity	Frequency	Areas of concern	How these concerns were addressed
Shareholders and other investors	Annual General Meetings	Annually	Financial performance, governance, transparency, and other disclosures	The Company maintains a close relationship with its key shareholders. A constructive dialogue is maintained between the Management and the shareholders during the AGM.
	Annual Reports	Annually	Financial performance, governance, transparency, and other disclosures	Comprehensive disclosures are presented within the Annual Report.
	Extraordinary General Meetings	As required	Governance, transparency, and other disclosures	EGM held on 29 March 2021 to raise LKR 362.3 Mn. via a rights issue EGM held on 27 October 2021 to raise LKR 474.5 Mn. via a rights issue
	Interim financial statements and investor presentations	Quarterly	Financial performance and shareholder communication	A detailed analysis of the Company performance provides timely and relevant information to shareholders and other investors.
	Press conferences and releases	As required	Business expansion, strategies, and transparency	
	Announcements made to the Colombo Stock Exchange	As required	Investor relations, financial information, transparency, and customer services	CSE was informed of both the rights issues and approval obtained for listing of shares
	One-to-one discussions	As required	Financial inclusion, corporate governance and risk management.	
	Corporate website	Continuous	Sustainable growth	

Stakeholder Engagement

Stakeholder	Engagement activity	Frequency	Areas of concern	How these concerns were addressed
Customers	Touchpoints	Continuous	Financial inclusion	SFPLC provides a wide array of services that cater to customer requirements. A speedy service is offered with the help of the ICT system.
	Town storming, leaflet campaigns, street promotions and banners	As required	Customer service, financial inclusion, affordability of services, and convenience	Leaflet campaigns were carried out before opening pawning counters at existing branches/centres.
	Relationship Managers	As required	Service quality, customer satisfaction, and information security	Detailed information of products, services offered together with specific inquiries of the customers were addressed.
	Media advertisements	As required	Affordability of services and convenience	
	Corporate website	Continuous	Customer service, financial inclusion, affordability of services, convenience, and dispute resolution	Detailed information of the products and latest developments in the Company are continuously updated.
	Customer workshops	As required	Financial education and literacy	
Employees	Executive meetings	Monthly	Performance management and business developments	A lively dialogue is sustained between the Management and the rest of the staff regarding new business developments, macroeconomic developments, and other areas of concern.
	Managers' conferences	As required	Performance, reward management, business developments, and other risk-related issues	Frequent communiqué on performance evaluation mechanisms and business developments
	Regional review meetings	Quarterly	Local business developments and regional performance	MIS provides detailed analysis of performance on a continuous basis
	Memorandums	As required	Inclusion	
	Emails	As required	Recruitment, retention, and attrition	

Stakeholder Engagement

Stakeholder	Engagement activity	Frequency	Areas of concern	How these concerns were addressed
	Training programmes	As required	Value driven corporate culture	1,193 training hours were recorded for the year under review
	Special events for staff engagement	As required	Diversity and inclusion Future plans Career progression	
	Open door policy	Continuous	Career progression, performance management and grievances	Updated the whistle-blowing policy of the Company
	Operational guidelines	Continuous	Business know-how	
	Code of conduct	Continuous	Best practices and business value creation	
	Performance evaluations	Ongoing	Performance management	
Suppliers and business partners	Supplier relationship management	As required	Contractual performance and ongoing business development	Localised promotions were done with motor vehicle dealers
	On-site visits and meetings	As required	Responsible sourcing and future business opportunities	
Government and regulatory authorities	On-site and off-site surveillance	As required	Compliance with regulations, directives and codes	SFPLC ensures timely submission of periodic financial returns
	Directives and circulars	As required	Corporate governance, expansion, business growth etc.	A compliance process is in place to ensure adherence to all directives and circulars which are enacted within the specified time frame.
	Meetings and consultations	As required	Compliance	
	Press releases	As required	Business trends and financial inclusion	
	Periodic returns	As specified	Financial performance	

Stakeholder Engagement

Stakeholder	Engagement activity	Frequency	Areas of concern	How these concerns were addressed
Society and environment	Delivery channels	Continuous	Responsible financing ethics and business conduct	The Company converted 21 of its service centres to branches, thereby increasing its branches to 80
	Press releases, conferences, and media briefings	As required	Community investments	
	Informal briefings and communications	As required	Financial inclusion	
	Public events	As required	Recruitment	
	Call centre and information centre	Continuous	Information pertaining to products and environmental impact	Grievances and concerns are directed to the relevant officer for immediate remedial action
	Corporate website	Continuous	Environmental performance	Latest developments within the Company are regularly updated on the website.

Commitments to External Initiatives

In addition to making sustained efforts to meet stakeholder needs and satisfying their information requirements, Senkadagala Finance PLC was also a member of the following associations.

- Finance Houses Association
- Leasing House Association
- Strategic level training partner with CA Sri Lanka from October 2014

Materiality

Disclosure of information about matters that significantly affect a company's ability to create value over time, whether in the short, medium or long term would constitute the materiality aspect in an integrated report. Materiality in an organisation is determined through identifying, evaluating and narrowing down of processes and issues, combined with identifying those charged with the roles of governance and other key functions.

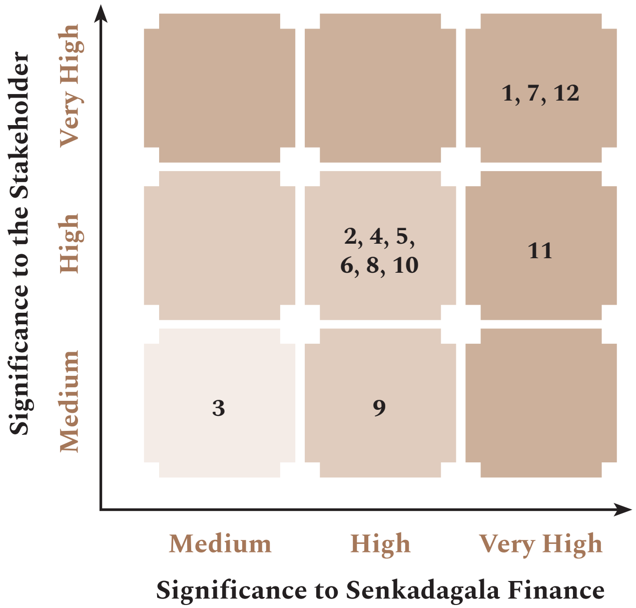
Aspects Material to Senkadagala Finance PLC

Aspect	Indicators			Significance	
				To SFPLC	To stakeholder
Economic					
1 Economic performance	G4-EC1	G4-EC3		V	V
Environmental					
2 Energy	G4-EN6			H	H
3 Effluents and waste	G4-EN23			M	M
4 Compliance	G4-EN29			H	H
Social					
Labour practices and decent work					
5 Employment	G4-LA1	G4-LA2		H	H
6 Occupational health and safety	G4-LA8	G4-LA8	G4-LA8	H	H
7 Training and education	G4-LA9	G4-LA10	G4-LA11	V	V
8 Labour practices/grievance mechanisms	G4-LA16			H	H
Society					
9 Local communities	G4-SO1			H	M
10 Anti-corruption	G4-SO3			H	H
Product responsibility					
11 Product and service labelling	G4-PR5			V	H
12 Customer privacy	G4-PR5			V	V

V – Very high *H – High* *M – Medium*

Materiality

Materiality Matrix



Management Approach

Engagement with its stakeholders in its course of business is carried out as a part of strategic planning and risk assessment.

Line managers and departmental heads are held responsible for meeting objectives and achieving set targets. Key performance objectives and tolerance limits are set to bring their performances in alignment with the corporate strategic direction.

The individual conduct of Management is expected to be responsible, transparent and ethical when dealing with policies, procedures, internal controls, and when handling matters of material concern. Procedures are regularly reviewed to align with environmental changes.

Continuous environmental screening is carried out to identify events of materiality in all aspects. Responsibility is assigned to senior managers to address and resolve grievances arising in the grievance procedure and information channels set in place.

Effective internal control processes are also maintained with the help of ongoing Internal Auditors, Messrs Ernst & Young Advisory Services. The annual external audit also ascertains the materiality of the financial performance of the Company. The Company's national long-term credit rating is BBB+ (lka) and was placed on Rating Watch Negative by Fitch Ratings (Lanka) Limited on 26 April 2022 in view of the current economic condition.

The ceramic slurry is poured into a mould in the shape of the component to be cast and left to solidify.

Our Story in 2021/22

Financial Capital

An Overview of the Year

The COVID-19 pandemic related growth impediments continued to affect the economic performance in the first half of the financial year, while the CBSL continued to adopt a relaxed monetary policy with the hope of economic turnaround. However, deeply entrenched economic problems and vulnerabilities combined with prolonged control of several policy measures triggered a worsening macroeconomic environment towards the fourth quarter of the year under review. As a result, the country was facing the risk of hyperinflation, rapidly rising interest rates and shortages of essential food items, medicine, cooking gas, and fuel driven by the severe shortages of foreign currency. While stability of the financial sector was preserved despite the bleak economic backdrop, both banking sector and the NBFI sector performance improved demonstrating improved profitability and loan growth.

With over 50 years of management expertise and strong financial foundation maintained, Senkadagala Finance managed to conclude the financial year in a high note despite the upheaval in the normal economic activities and social unrest. The Company recorded a profit after tax of LKR 903 Mn., a growth of 62.8% over the year. All key profitability indicators show an improvement over the year with a net interest margin (NIM) of 10.2% showing a notable growth when compared against 8.4% of the previous year. Total assets of the Company recorded a marginal growth of 2.9% while the loans and advances witnessed a drop of 5.3% driven by increased impairments due to the subdued economic activities in the country and stringent credit screening measures taken to improve the credit quality of the portfolio.

Summary of Financials for the Year

Financial results	2022 LKR '000	2021 LKR '000
Total assets	**38,997,407**	37,903,389
Loans and advances	**26,101,897**	27,562,085
Customer deposits	**10,823,983**	11,546,422
Total equity	**7,645,772**	5,959,381
Total income	**6,344,549**	6,342,156
Profit before tax	**1,185,647**	707,345
Profit after tax	**902,971**	554,745

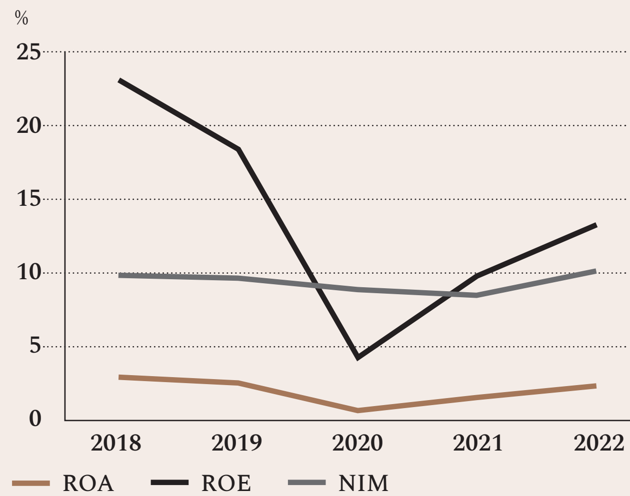
Financial Performance in Detail

Profitability

During the year the Company generated profit before taxes of LKR 1,186 Mn., a notable growth of 67.6% from LKR 707 Mn. of the previous year. Profit after tax also recorded a notable increase to LKR 903 Mn. as opposed to LKR 555 Mn. of the year before, mainly driven by improved net interest margins and operational efficiencies.

In line with the improved profits, Return on Assets (ROA) increased to 2.35% from 1.53% of last year. Return on Equity (ROE) too recorded an increase of 3.5% to reach 13.27% from 9.76% in previous year, a commendable improvement in a backdrop of LKR 1,686 Mn. increase in total equity driven by infusion of fresh capital and year's profits.

Profitability Indicators of the Company



Improved interest margins due to meticulous funding management and operational efficiencies created by use of advance technology in day-to-day operations enabled the Company to maintain higher profits in the year under review.

Financial Capital

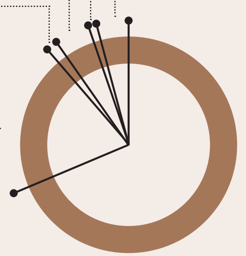
The consolidated profits for the Group also depicted similar trends. The Group's post-tax profit was LKR 930 Mn., a growth of 57.6% from the previous year. The pre-tax profit of LKR 1,239 Mn. was recorded after a growth of 60%. The contribution from the subsidiaries helped to improve the fee based income streams of the Group creating synergistic values to its stakeholders.

Income

The fund-based income remained the key contributor to total income with a contribution of 94.9% to gross income for the year. A growth of LKR 42.1 Mn. was recorded through this income source, but this was negated by the loss recorded from financial instruments designated at fair value through profit or loss. As a result, the gross income of the Company recorded a marginal growth of 0.04% to LKR 6,345 Mn. compared to LKR 6,342 Mn. of the previous year. Fee-based income and commission experienced a growth of 6.7% over the year to reach LKR 59.9 Mn. by March 2022.

With the recovered performance of the equity market during the year, the Company recorded a profit of LKR 87.7 Mn. on equity trading compared to LKR 46.1 Mn. recorded the previous year. However, its effect was negated due to LKR 61.5 Mn. mark to market losses recorded in traded equity securities owing to plummeted market conditions in March 2022. Other operating income for the year recorded an increase of 33.1% due to increase in gains from foreign currency conversions.

Sources of Income



Net Interest Income

Lackluster loan growth coupled with delayed repricing of the loan book resulted in a marginal growth of 0.7% in interest income for the year, despite the rise in market interest rates experienced towards the latter period of 2021. Interest income from loans and advances experienced a growth of LKR 26 Mn. to reach LKR 5,631 Mn. in the year under review. Interest income from fixed deposits and other short-term investments grew by 20% and 122% respectively; this was achieved through meticulous management of the high levels of liquid assets held throughout the year.

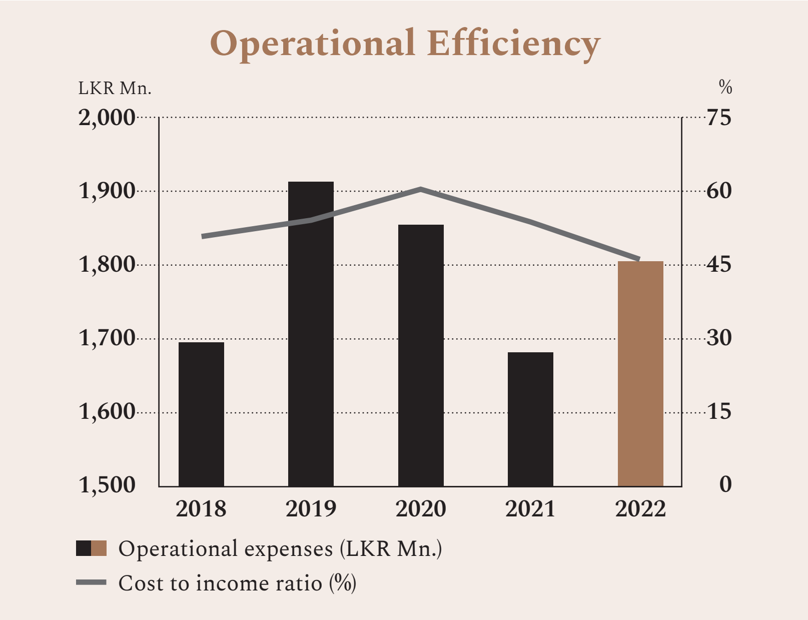
Owing to the low interest rate regime that prevailed since early 2020, almost all interest expense categories showed YoY drop during the period under review. The Company managed to record a decrease of LKR 785 Mn. in interest expenses during the year, a notable YoY drop of 24.4%. Regardless the 6.7% growth experienced in borrowings from other sources, interest on such borrowings dropped by 34.9% over the year, driven by the strategic sourcing of lucrative funding opportunities by the Company. However, the drop in interest expenses of LKR 172 Mn. on customer deposits was triggered not only by low rates prevailed but also by the 6.3% drop in the deposit base of the Company.

Consequent to the marginal increase in interest income and pronounced drop in interest expenses, the Company recorded a net interest income of LKR 3,590 Mn. compared to LKR 2,763 Mn. the year before, a YoY growth of 29.9%. Net interest margin increased accordingly to reach 10.16% from 8.44% of the previous year.

Expenses

The Management continued its efforts to improve operational efficiencies in the hope of controlling the operational expenses of the Company. Although the staff cadre remained unchanged, the cost of living allowance paid in December 2021 and the performance incentives paid due to profits achieved for the year, the personnel expenses increased by 28.3% YoY to LKR 788 Mn. Depreciation expenses continued on the decreasing trajectory from last year to reach LKR 400 Mn., a YoY drop of 3.4%. The low capital expenditure incurred owing to shelving the branch expansion strategy adopted in the past was a key driver of this trend. Other operating expenses too dropped by 6.2% to LKR 590 Mn. over the year, due to toned down selling and promotional activities during the year.

With augmented net income levels, the cost to income ratio of the Company further dropped to 46.1% compared to 53.8% of the previous year, despite the increase in operational expenses for the year.



Taxation

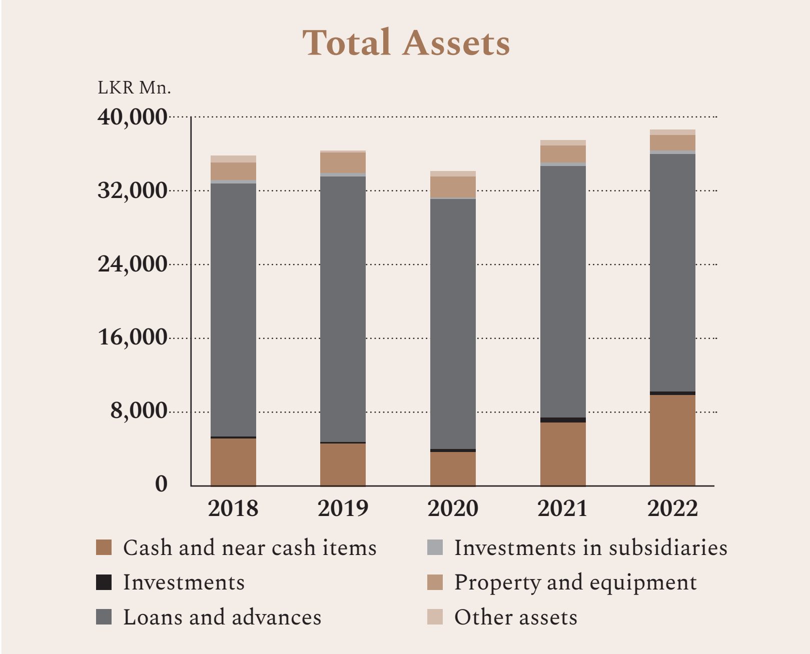
The Company upholds its responsibilities as a tax payer. While meeting all its tax obligations on a timely and prudent manner, the Company strategises to mitigate any adverse, unexpected financial losses due to taxes. However, various tax regulations brought in from time to time, affect the profitability of the Company.

Taxes on the value addition increased by 35.4% during the year despite the mediocre growth in turnover. This was triggered mainly by an increase of VAT on provision of financial services from 15% to 18% with effect from 1 January 2022.

Corporate income tax charge increased to LKR 283 Mn. compared to LKR 153 Mn. of the previous year, an increase of 85.2%. This was driven by a LKR 463 Mn. current tax charge offset by a deferred tax reversal of LKR 180 Mn. for the year under review.

Assets

Total assets of the Company marginally increased to LKR 38,997 Mn. compared to LKR 37,903 Mn., a YoY growth of only 2.9%. While the loans and advances portfolio decreased by 5.3%, the growth came from LKR 2,197 Mn. increase recorded in deposits with licensed commercial banks.



In the previous financial year, the Management made a conscious decision to maintain higher than average levels of liquid assets to mitigate any adverse effects of prolonged business closure and disruption to the recovery process due to measures taken to control the spread of COVID-19. With the onset of the economic crisis, the requirement to maintain higher cash reserves has become paramount. Consequently, cash and cash equivalents, deposits with licensed commercial banks and investments in REPOs witnessed a YoY growth of 3.5%, 48% and 170% respectively. Financial assets held at fair value through profit or loss dropped by LKR 220.8 Mn., a drop of 43.4%, as a result of the bleak equity market condition in March 2022.

Loans and Advances

Loan type	2022 LKR '000	2021 LKR '000	Change (%)
Finance leases and hire purchase	22,780,618	24,735,380	-7.90
Commercial loans and personal loans	1,521,940	1,345,657	13.10
Pawning advances	1,381,353	1,145,064	20.64
Other advances	417,985	335,984	24.41
Total	26,101,897	27,562,085	-5.30

The total loans and advances decreased by 5.3% over the year to LKR 26,101 Mn. against LKR 27,562 Mn. of the previous year driven by the slowdown of new business growth in the leasing portfolio. The inflated second-hand vehicle prices driven by import restrictions and bleak economic sentiments necessitated stringent screening of potential finance leasing businesses. This coupled with enhanced customer screening adopted by the Company reduced the new business resulting in a decrease in the loan book.

During the year, LKR 14.47 Bn. was granted as new finances as opposed to LKR 11.17 Bn. of the previous year. The average LTV of new loans amounted to 62.88%, as the Company primarily financed registered vehicles.

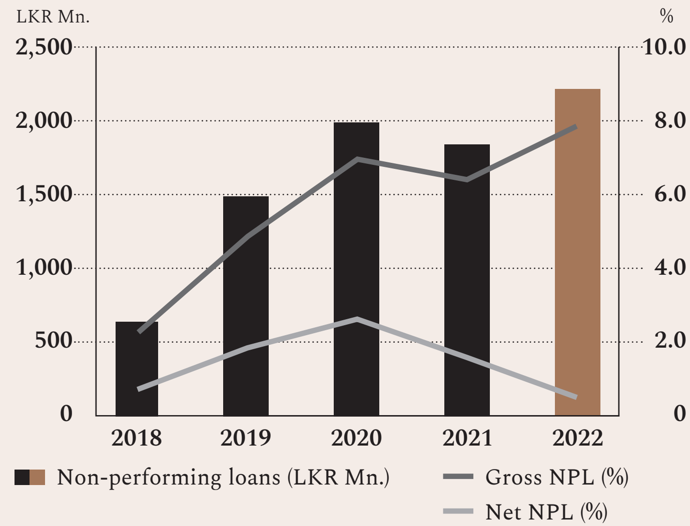
The commercial and personal loans experienced a growth of 13.1% during the year to reach LKR 1,521 Mn. by March 2022. Pawning portfolio recorded a notable growth of 20.6% to reach LKR 1,381 Mn., recovering from the drop of 1.3% recorded in the previous year. Loans granted against fixed deposits increased to LKR 111.8 Mn. recording a YoY growth of 130.3%. During the year the Company introduced a new loan type, short-term corporate loan which recorded LKR 175.5 Mn. growth by March 2022.

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 NPL ratios throughout.

Disruptions to the recovery process due to business closure and dismal economic conditions caused the asset quality of the entire industry to deteriorate. The Company managed to maintain its gross NPL ratio, which is gross non-performing loans as a percentage of total advances, at 7.94% compared to 6.47% of the previous year. However, with systematic recognition of impairments, the net NPL ratio decreased to 0.45% compared to 1.57% of the year before, demonstrating the prudent provisioning of the Company in the face of potential future economic turbulence. By March 2022, the Company has provided LKR 2,702 Mn. compared to LKR 2,081 Mn. of previous year, recording a provision cover of 94.3%, computed based on the CBSL guidelines.

Non-performing Loans and Ratios



Financial Capital

Liabilities

The total liabilities of the Company recorded a marginal drop of 1.9% to LKR 31,352 Mn. compared to LKR 31,944 Mn. of 2021. Bank borrowings recorded a drop of 6.3% to LKR 6,691 Mn. while other borrowings increased by 6.69% to reach LKR 10,448 Mn. by the year end. The low interest regime that prevailed during the most part of the year made large scale funding more lucrative, which enabled the Company to secure a low-cost funding structure.

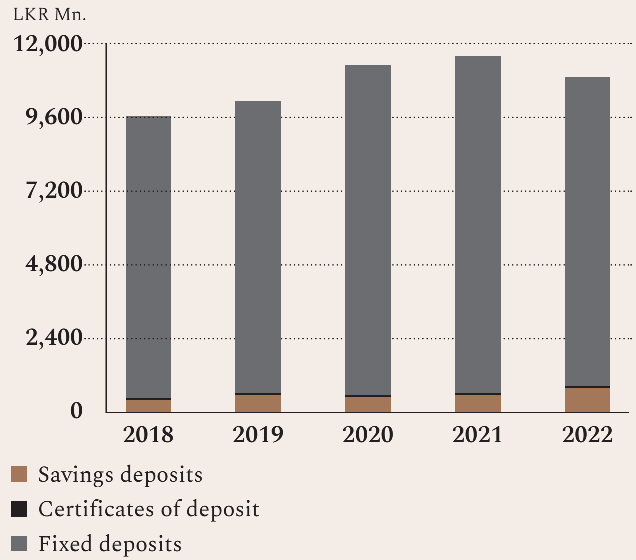
Deposits from Customers

Deposits from customers consisting of fixed deposits, certificates of deposit and savings deposits recorded a drop of 6.3% to LKR 10,824 Mn. compared to LKR 11,546 Mn. of last year.

The drop in the deposit base of the Company was driven by the fixed deposits base falling by 8.2% to LKR 10,074 Mn. from LKR 10,978 Mn. of the previous year. The decrease was driven by a rapid increase in market interest rates towards the latter part of the financial year, and NBFIs deposit rates being capped based on the average Treasury Bill/Bond rates of the previous quarter resulting in NBFIs offering rates well below prevailing market rates. This was corrected after CBSL revised the direction prescribing the underlying interest rates in early April 2022.

The savings deposits experienced a notable growth of 32.3% reaching LKR 739 Mn. by March 2022. Savings deposit customers are provided many value-added services, it is equipped with facilities equivalent to those of a bank deposit while offering a higher rate of return to the customers.

Deposit Base



Shareholders' Funds

Total shareholders' funds recorded a growth of 28.3% over the financial year to reach LKR 7,646 Mn. The notable growth was achieved as a result of a strategic decision by the Management to increase the capital position of the Company in light of the bleak economic condition of the country. Two successful rights issues were concluded during the financial year, infusing LKR 837 Mn. into stated capital of the Company.

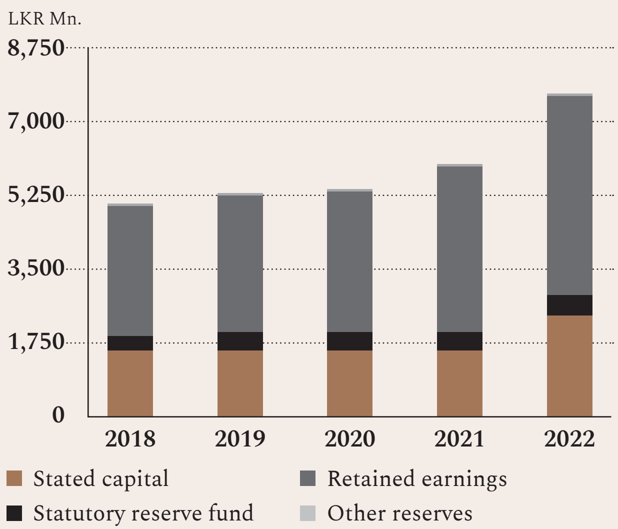
In compliance with the Finance Companies (Capital Funds) Direction No. 1 of 2003, the Company transferred LKR 46 Mn. out of profits for the year to the Statutory Reserve Fund, resulting in a growth of the Fund by 10% to reach LKR 506 Mn. by March 2022.

Retained earnings recorded a growth of 20.6% to reach LKR 4,711 Mn. with the addition of the enhanced profits generated during the year.

Financial Capital

Accordingly, the Company recorded a core capital ratio of 22.75% and a total capital ratio of 26.89% in March 2022, well in excess of the regulatory requirements of the Direction (Capital Adequacy Requirements) No. 3 of 2018. This is a notable growth when compared to 16.69% and 21.66% respectively of the previous year. With augmented capital positions, the Company is well placed to weather the economic turbulence expected in the ensuing year due to the shortage of foreign currency liquidity and high interest rates in the market.

Growth in Equity Base



Cash Flows and Liquidity

Senkadagala Finance primarily depends on large scale funding for its business needs, hence high levels of liquid assets are maintained throughout. During the year, the Company generated LKR 1,421 Mn. cash flows from operating activities as opposed to LKR 2,498 Mn. used in the previous year.

The Company generated LKR 212 Mn. cash flows from investing activities during the year, driven by gains from investing in trading securities. Capital expenditure incurred during the year was only LKR 113 Mn., compared to LKR 136 Mn. of the previous year.

Securitised borrowings of LKR 3,604 Mn. were obtained during the year while settlements amounted to LKR 5,965 Mn. This resulted in a net outflow of LKR 1,739 Mn. in financing activities despite the LKR 837 Mn. inflow from the rights issue.

The Company maintained high liquid assets throughout to weather any adverse economic conditions resulting from the COVID pandemic and the pursuant economic crisis.

Group Performance

Senkadagala Finance Group performance reflects a trend parallel to that of the Company over the year. The post-tax profit increased by 57.6% to LKR 929.6 Mn. during the year, compared to LKR 589.9 Mn. of the previous year. The total assets recorded only a growth of 3.05% to LKR 38,671 Mn. similar to that of the Company.

Senkadagala Insurance Brokers recorded a post-tax profit of LKR 83 Mn., with a drop of 18.4% from the previous year, owing to subdued leasing business of the Company.

Senfin Asset Management (Pvt) Ltd. generated a profit of LKR 27 Mn. as opposed to LKR 33 Mn. recorded in the previous year, a drop of 20.5%.

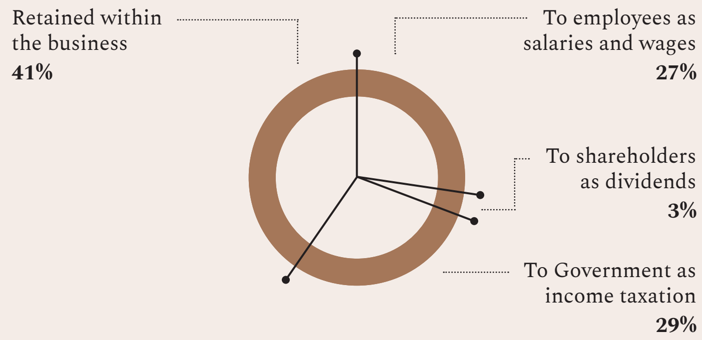
Value Addition and Distribution

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.

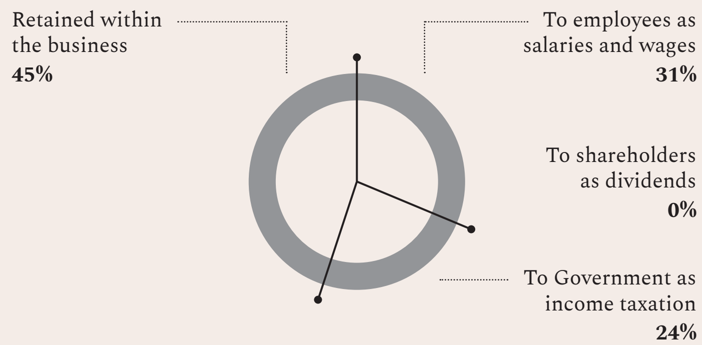
Value Added and Distribution Statement

	2022 LKR '000	Share %	2021 LKR '000	Share %	Change %
Value added					
Gross income	6,344,549		6,342,156		0
Less					
Cost of borrowings	(2,430,425)		(3,215,269)		(24)
Payments towards support services	(603,128)		(640,243)		(6)
Provisions for loan losses	(596,680)		(496,679)		20
	2,714,316		1,989,963		36
Distribution of value addition					
To employees					
as salaries and wages	530,954	20	504,633	25	5
as other benefits	207,756	8	117,883	6	76
To shareholders as dividends	90,076	3	-	0	100
To Government					
as income taxation	463,172	17	233,677	12	98
as taxes on financial services	327,377	12	241,700	12	35
Retained within the business					
as depreciation for replenishment of assets	413,526	15	426,734	21	(3)
as deferred taxation	(168,722)	(6)	(83,077)	(4)	103
as reserves	850,178	31	548,413	28	55
	2,714,316		1,989,963		36

Distribution of Value Addition 2022



Distribution of Value Addition 2021



Institutional Capital

The institutional capital of Senkadagala Finance has been fortified over five decades and has enabled the Company to secure its position in the financial market. Institutional capital for Senkadagala Finance encompasses its information and communication technological framework, corporate culture, supply and procurement policies, brand value and trade developments entrenched in its systems and processes, which generate value to its stakeholders. The Company is required to enhance and expand on its intangible assets to create for itself a competitive edge in a free market.

Information and Communication Framework

Understanding the value of a strong institutional capital base, Senkadagala Finance invested in information and communication technologies (ICT) very early in its enterprise. An early investment made by the Company was in an in-house developed ICT system equipped with a management information system, which is tailored to meet the specific requirements of the Company. Cutting-edge technological advancements have been used to enhance its performance over the years. The Company continues its investments in ICT to help enhance its competitiveness going forward.

The Company Procedure Manual contains a detailed segment on ICT related policies to facilitate the proper usage of the system and processes. An information system security policy and a business continuity plan is also incorporated to ensure minimal business interruptions. All departments are heavily dependent on the information system for the smooth flow of operations. The uninterrupted functioning of the core operations, as well as the front and back-office functions, can be attributed to the ICT system in place. The information system also facilitates the provision of a wide range of customer information and operational data in a timely manner to all levels of the management hierarchy. The system supplements the reporting and decision-making process and the orderly administration of business functions. The basic business functions are automated to minimise user interactions, human error and reduce non-value adding activities. Our ICT system also supports the Finance Division by facilitating its work in many areas including general ledger functions, cash management, management of loans and advances, and the generation of internal and external reports.

The role of ICT has expanded over time, giving all departments the necessary tools and information to execute their functions smoothly and to make well-informed decisions.

The growth in reliance on ICT over a short span of time, has necessitated the need to take measures to mitigate ICT associated risks. The ICT policies and practices set in place are reviewed continuously, to check on their effectiveness in counteracting any related risks. Data and information security is of substantial importance and the Company continuously ensures that adequate system security measures are in place and various risk management techniques are adopted in its daily operations.

Organisational Culture

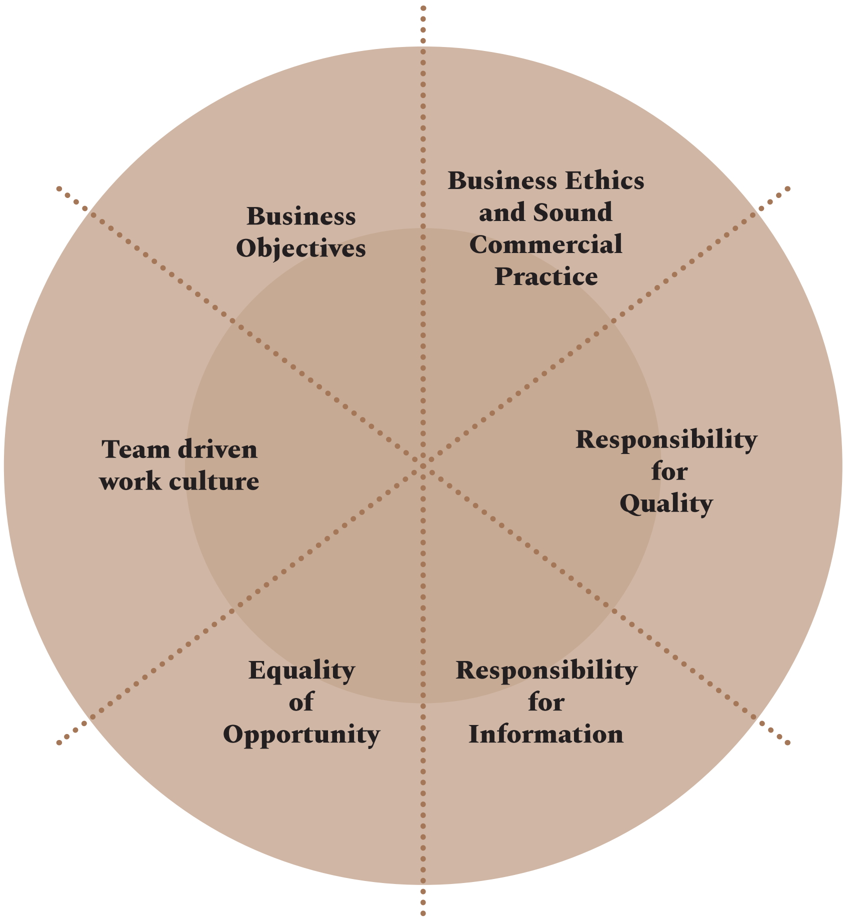
Diligence and ethics are given priority in the corporate environment and is encouraged among all its internal and external stakeholders. An optimal working environment with the necessary infrastructure in place, and the Management's attempt to create free and open communication between superiors and subordinates paves the way for a professional and an open corporate environment. The contribution from people of different grades and disciplines, with their different views and perspectives, has resulted in the creation of synergistic value for the Company.

Recognition of individual talent has been a hallmark feature of the organisational culture of Senkadagala Finance. All managers appointed to new branches in the year 2021/22 were selected through the internal promotion process. The technical knowledge, and familiarity with the business and its systems and procedures that they possessed, generated enthusiasm among the internally promoted cadre became a crucial factor that added worth to the value creation process of the Company.

The Company actively promotes a team culture and spirit and all round competence amongst staff. Our branch and service centre network is staffed with a small number of employees who are encouraged to acquire knowledge and proficiency across all tasks undertaken at the office. Continuous training and development opportunities are presented to the employees to instigate a learning culture. Team performance is considered in the granting of annual bonuses. A collective assessments approach has nurtured a healthy competition between branches and service centres. Line managers and other employees are kept cognisant of the need to be aware of and manage risks when conducting operations. Risks are mitigated by identifying them at their origin as far as possible. The process is supported by our open culture and unhindered communication.

Institutional Capital

The customer is recognised as a key stakeholder of the business. The Company strives to achieve corporate value through customer satisfaction and a team of committed, loyal and enthusiastic staff who work to provide a quality service.



Business Logistics Management

The expansion of the branch network has made the procurement and supply chain indispensable. Repairs and maintenance of equipment, supply of stationery and other day-to-day purchases requires a network of suppliers. A close relationship with suppliers ensures a continuous flow of reasonably priced, high quality supplies and services. The Company adopts a lean procurement process which also necessitates an efficient and effective supply chain. Small stocks of stationery are positioned at branches/ centres whilst timely and efficient re-ordering ensures an always up-to-date inventory.

An expanding branch network requires close knit collaboration with contractors and interior designers. When the need for a new branch, and its location is identified, the Administrative Department will assign the job to a contractor, and ensure it is carried out in conformity with Company requirements and specifications. The Company endeavours to have on its books a select pool of interior designers who are familiar with our brand guidelines, vis-à-vis Company premises, thus making it easier to maintain an uniform "look and feel", throughout the network.

Branding

The Company logo depicts a four-leaf-clover - a mark of good fortune and prosperity. Since its inception the Company has sought to keep the welfare and prosperity of its customers at the forefront of enterprise.

The Company has focused on fostering perfection and incorporating advanced technology while adhering to ethical business practice.

The Company prioritises a high calibre of service to maintain its deposit base as opposed to price competition. It is part of our ethos that an exceptional service to the customer will nurture long-term relationships.

Customer Capital

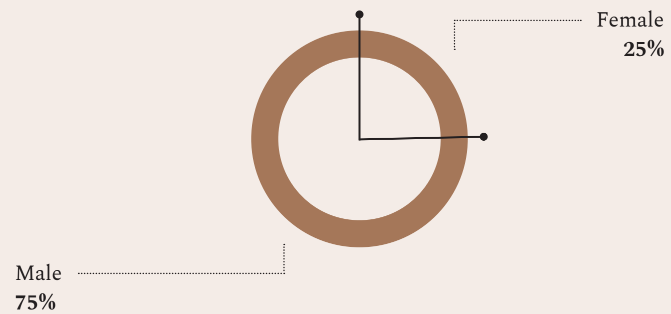
The Company's customer capital is the value that it realises from its relationships with its customers, and the opinion and perception that the customers have of the Company.

The relationship that the Company enjoys with its customers is central to all we do and the products and services we offer. We attach great value to growing such relationships and widening our customer base. The Company has been successful in gaining the confidence and trust of a continuously growing number of people from all strata of society, from across all nine provinces of the country.

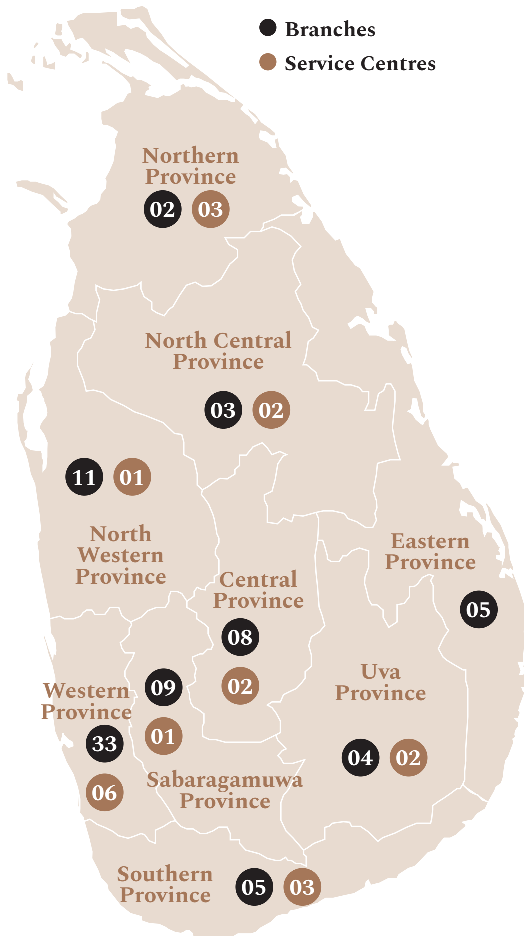
Growth and retention data suggests we are on the right path to nurturing customer capital towards the sustainability of customer and Company.

The Company's focus has always been one of strategic expansion. In achieving this goal and as a matter of policy, an in-depth analysis of existing and new customer portfolios is carried out before a decision is arrived at to open new branches.

Analysis of Customers Gender Wise



Geographical Spread



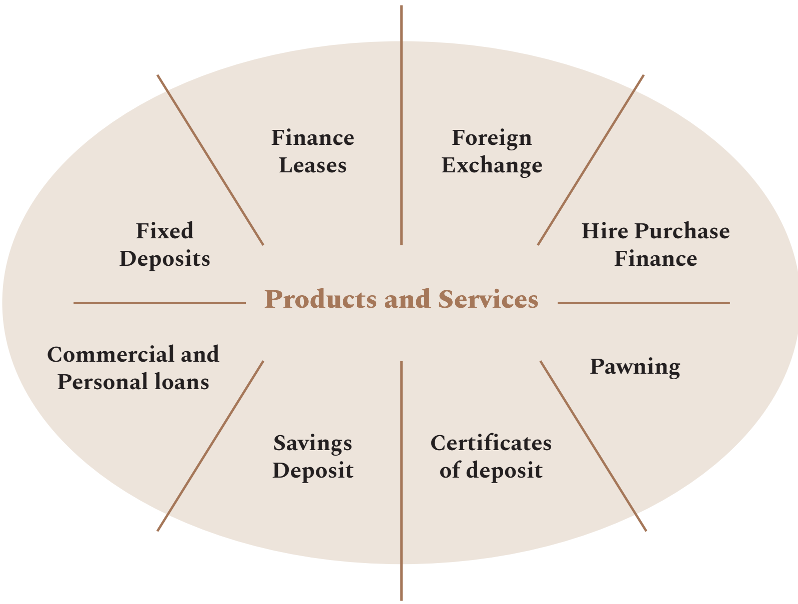
The Company operates 100 outlets where 80 function as branches whilst the remaining 20 are service centres. Out of the 80 branches, 21 were upgraded to the status of a branch from the status of a service centre within the year 2021/22.

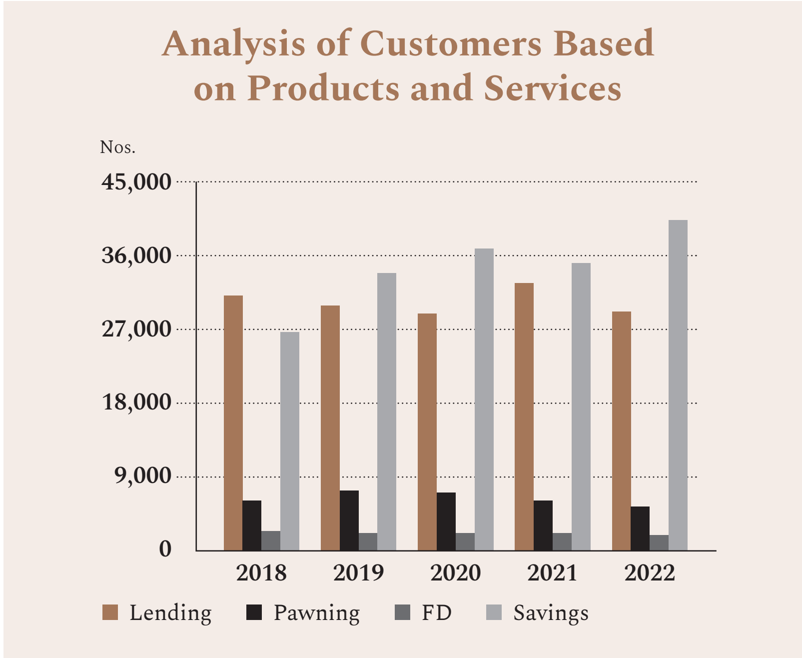
Customer Capital

Profile of our Services

Our portfolio of services comprises instruments in the areas of leasing, lending, pawning and acceptance of deposits at the Company level, and at Group level unit trust, asset management and insurance brokering activities. The Company is also a licensed foreign currency exchange entity.

Amidst COVID-19 restrictions the Company has maintained a steady growth of customers over the past years. As the figures show, there has been a higher inclination towards savings.



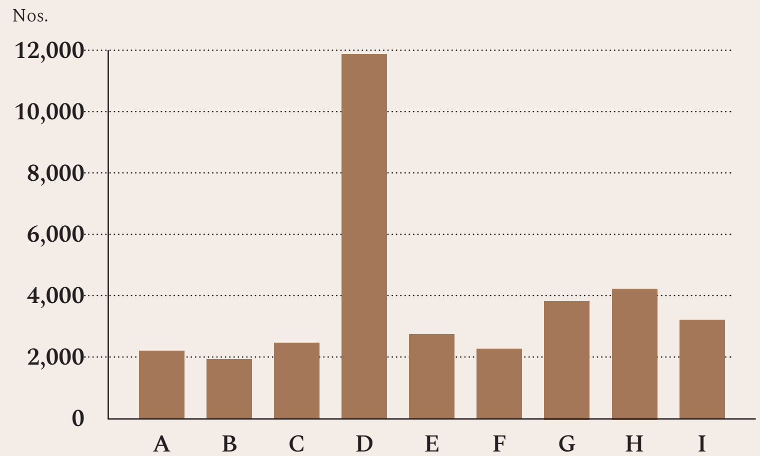


Customer Capital

Loan Portfolio

Our loan portfolio encompasses areas such as leasing, hire purchase, SME financing and pawning advances. In terms of geography, the Company's lending spread reveals that most customers reside within the Western Province, particularly the Colombo District.

Geographical Analysis of Lending Customer Base



A - Eastern Province
B - North Central Province
C - Uva Province
D - Western Province
E - Southern Province
F - Northern Province
G - Central Province
H - Sabaragamuwa Province
I - North Western Province

The Company has gained a competitive edge in the financial market by providing loans within a short period of time, such as within one to two business days. Technological developments built into the system have expedited the process of approving loans. The Management also adopted a prudent and pragmatic approach to loan application assessment and approval which helped minimise NPLs.

The extension of the Coronavirus debt moratorium scheme until the end of the year 2021/22 by the Central Bank of Sri Lanka caused many financial institutions to reappraise their loan schemes. However Senkadagala Finance was in a position to be more forthcoming and accommodative in its approach, which resulted in winning more customers for the Company.

CBSL circular	Moratorium period	No. of files of moratorium granted	Capital O/S as at moratorium granted Date	% of total portfolio
Circular No. 04 and No. 05 of 2020	March 2020 to August 2020	23,005	19,318,505,860	81.24
Circular No. 09 of 2020	September 2020 to February 2021	273	482,285,790	1.88
Circular No. 11 of 2020	September 2020 to February 2021	1,303	1,643,070,106	6.53
Circular No. 04 of 2021	May 2021 to October 2021	971	711,757,695	3.02
Circular No. 05 of 2021	March 2021 to March 2022	166	333,747,876	1.40
Circular No. 06 of 2021	May 2021 to August 2021	2,296	2,019,720,388	8.85
Circular No. 09 of 2021	September 2021 to February 2022	1,767	1,226,790,305	5.04
	Total	29,781	25,735,878,020	

Further, we recognised the financial hardships that afflicted our customers due to the pandemic and reassessed and adjusted policy to be able to provide some measure of relief to them in these hard times. Some of these measures took the form of default waivers and granting of grace periods on a case by case basis. Restructured loans upon customer requests were granted, in order to alleviate the strain on customers brought about by the pandemic. This has not only helped borrowers to pay back on more favourable terms, but has also allowed the Company to maintain a satisfactory recovery rate.

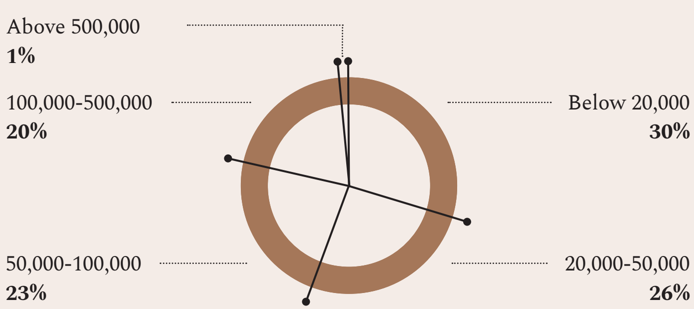
Customer Capital

The highlight of the year 2021/22 was the introduction of structured loans as a lending subproduct. The flexible loan scheme provides the customer with an opportunity to choose the tenor and rental amount according to their repayment capacity and is expected to ease the payment pattern. The primary targets of these loans are the agricultural and SME sectors.

Pawning

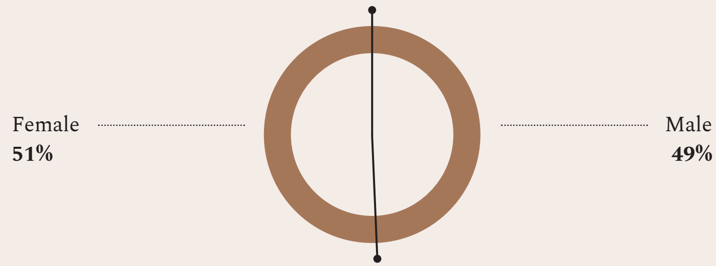
Our pawning portfolio reached LKR 1,381 Mn. by the end of the 2021/22 financial year. Currently, 34 branches are offering pawning services and the Company expects to expand this service through 15 more branches in the near future.

Analysis of Pawning Portfolio by Ticket Size



The pawning arm of the Company which has shown significant growth in recent times complements the primary loan product portfolio. The Management has plans to introduce gold loans, enabling customers to borrow for short terms in addition to the existing pawning product.

Pawning Customers Based on Gender



The Company's investment on Goldscope, a gold testing instrument enables the analysis of jewelry in a quick, cost efficient and non-destructive manner. The machine is used to detect fake articles, thereby averting any risk on the gold stock of the Company.

Statistical data gathered in the year 2021/22 based on its customer portfolio shows that the customer base in the gold pawning category features both men and women, in almost equal numbers.

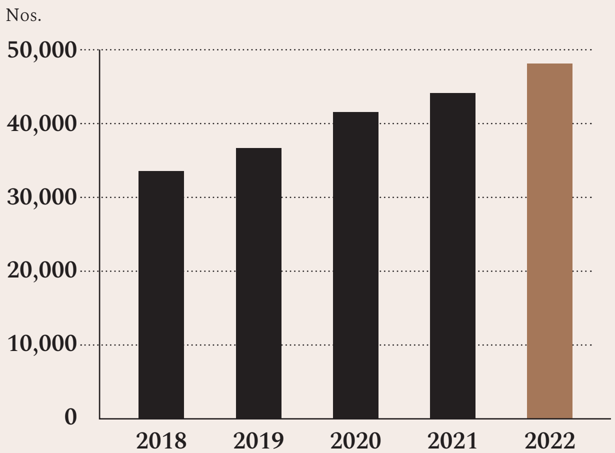
Deposit Portfolio

Fixed deposits are the Company's primary form of deposit mobilisation. Attractive interest rates are offered to FD holders within CBSL regulated rate limits. The saving habits of diverse customer groups, such as senior citizens and minors, are encouraged through the introduction of various subproducts with attractive interest rates. The Company also grants loans against FDs held by the customer.

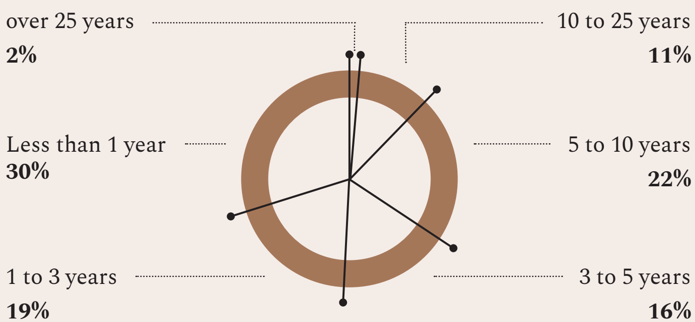
Customer Capital

An analysis of the last five years indicates a steady growth in deposit customer base.

Growth in Deposit Customer Base



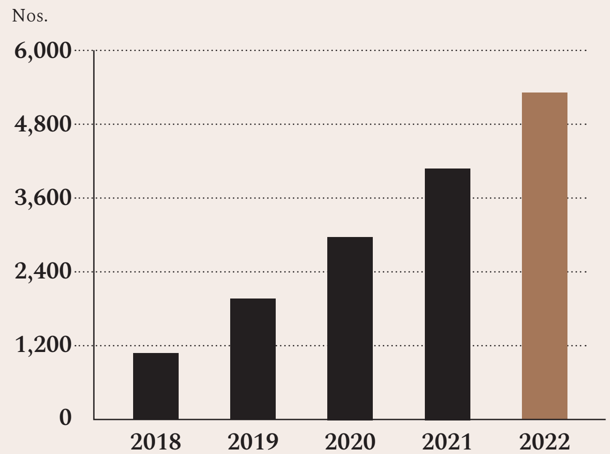
Length of Relationship with Fixed Deposit Customers



The online portal of the Company offers many value added services to the customer. It allows customers to accomplish many functions such as fund transfers, balance inquiries, online real-time transfers, bill payments, withdrawal and placing of fixed deposits through savings accounts, handling of fixed deposits and many more on a user friendly interface.

Savings and certificates of deposit are auxiliary products. The Company hopes to develop the Savings product further, as it assesses market potential. The Management has added several features to this product, such as state-of-the-art contactless Visa debit cards with chip and pin security, online banking facilities such as real-time fund transfers, payment of credit card and utility bills, to strengthen these products.

Growth in the Digital Banking Customer Base



Customer Capital

The Internet Payment Gateway (IPG), which was introduced in 2019 continued to be a boon in these times of pandemic. As more payment transactions shifted online our IPG also expanded to cater to the customer. The Company obtained the services of a new IPG service provider during the year and this is expected to improve system capacity while providing a backup to ensure system continuity.

Customers are also able to use any one of the Company bank accounts in Commercial Bank of Ceylon PLC, Sampath Bank PLC, Hatton National Bank PLC, and Bank of Ceylon for depositing of their rental payments and fixed deposit funds.

A considerable amount of effort was put into offer an uninterrupted service during the periods of lockdown that prevailed over the year. Considerable costs were incurred on Wi-fi connections to facilitate staff working from home efficiently.

Other Services

Foreign currency exchange, insurance brokering activities and Western Union Fund transfers are some of the other services provided by the Company. The insurance brokering arm of the Company places real time data at the fingertips of the customers, helping them to take informed and cost effective decisions in regard to services they wish to obtain from their preferred insurance companies.

Developing Customer Relations

Operating as we do in a highly competitive environment and with the advent of new companies to the field, the strength, loyalty and longevity of the relationships we enjoy with our customers has never been more important. The prime mode of business promotion of the Company is based on referrals and recommendations of existing customers. Therefore maintenance of customer relations and customer satisfaction at all times is vital.

A dedicated Relationship Manager for every customer ensures that we maintain strong, direct and personal relationships at all times. Every effort is made to ensure customers are heard – a complaint/suggestion box in every branch and service centre ensures that this happens. Complaint and suggestions receive the attention of the very highest echelons of the Company according to their merits. Complains and inquiries with regard to COVID moratoria was handled through relationship managers to provide personalised financial solutions depending on individual customer requirements. The Management has taken steps to appoint a customer complaint handling officer during the course of the year, who overlooks complaints routed through internal channels as well as through the CBSL Financial Complaints Units. Eighty eight (88) complaints have been received during the year, out of which the Management has been able to resolve 65 satisfactorily.

Brand development and customer loyalty is also developed through different media and localised promotional activity. The Company was able to organise several leaflet campaigns on the pawning services offered to customers.

The Company's centralised network system enhances the connectivity with the customer. Information on the facilities and services provided by the Company can be accessed at any time by existing as well as potential customers.

The customer web portal of the Company allows customers to make direct inquiries about products and services and of their accessibility; providing the customer with the ability to gain access to information instantly at any time. The Company email address, which has been upgraded to a user friendly interface, can be used to make inquiries and has shown to instill trust and credibility in the minds of the customer.

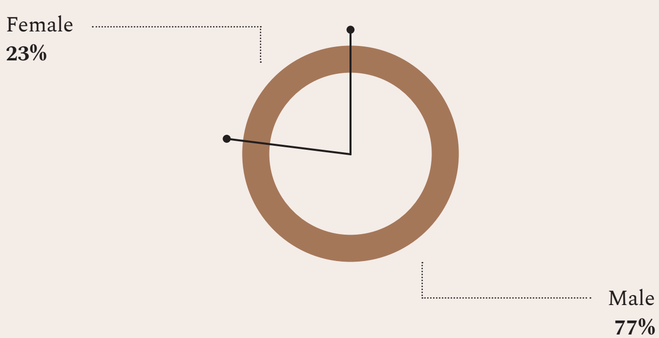
Employee Capital

The employee capital of Senkadagala Finance is a vast repository of value for the Company. The education, training, skills, intelligence, and loyalty among other factors, of our human resource component are collectively invaluable in realising the Company's goals. Thus we are committed to building and retaining a cadre of staff who have the aptitude, attitude, and the skills to help Senkadagala Finance deliver increased levels of productivity and value to the stakeholder. To the external world our employees stand as brand ambassadors of the Company; skilled, committed and engaged in their sphere of work. The Company does not underestimate the value of its employee capital as it is through them that an efficient, reliable, sustainable and constructive service can be offered to its clientele. The wellbeing of its employees has always been at the heart of the Company in its decision-making process.

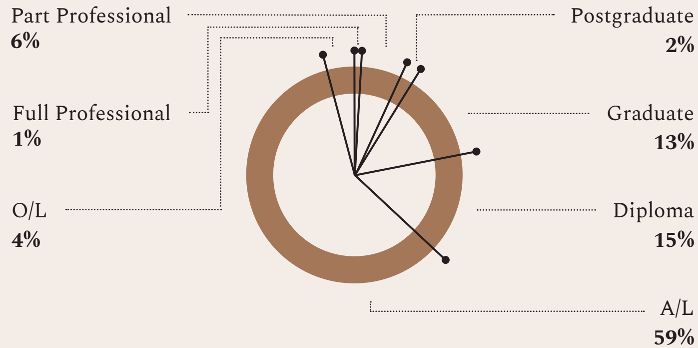
Workforce Analysis

An overall inclination towards diversity in the workforce empowers the Company to bring in individuals with new perspectives and backgrounds. It is also a key goal of the Company to foster a culture of inclusiveness where everyone feels valued, respected, is treated fairly, and has a sense of belonging. Empowerment and recognition of employees plays a major role in creating value and loyalty.

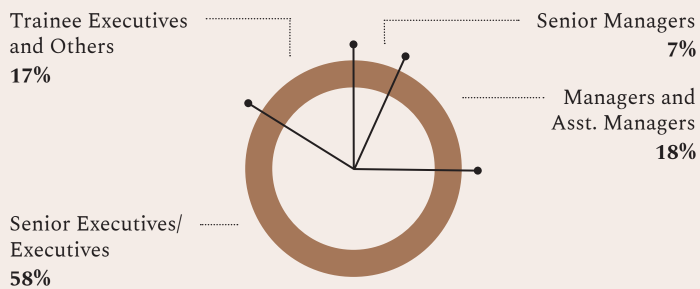
Analysis by Gender



Analysis by Staff Qualifications



Analysis on Staff Grades

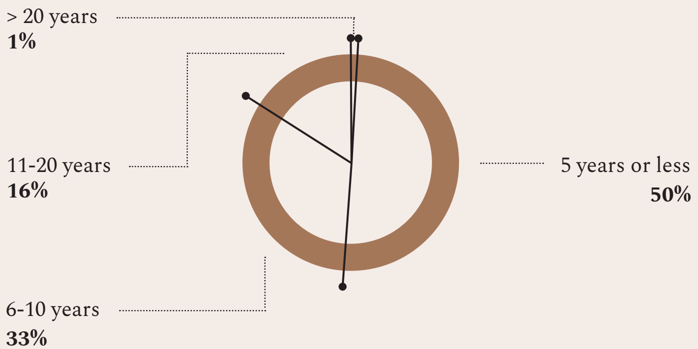


Employee Capital

Statistical analysis indicates that 23% of our workforce consists of female employees, up from 22% last year. The ethos and nature of the Company's activities sees us engaging a relatively young workforce. By age, employees between the ages of 20-30 years comprise 48% of the workforce, whilst 34% are between the ages of 31–40 years. By grade, the senior executive and executive group of the Company account for 58% of staff. Statistics also indicate 37% of staff have received a tertiary education.

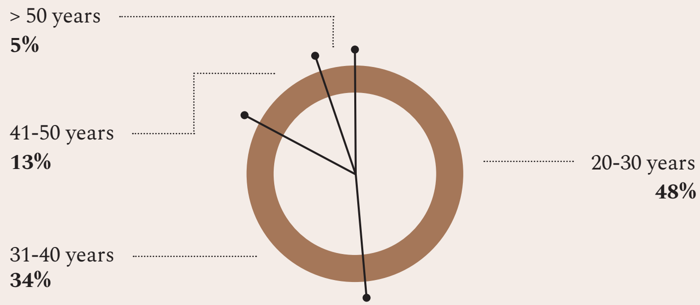
Employee Recruitments, Promotions and Retention

Analysis of Service Years



The internal pool of talent is always afforded priority consideration in the recruitment process. As such the management first seeks to fill in job vacancies from its existing employee base by way of promotions. When recruitments are necessitated from outside the existing cadre, we broadly follow a policy of hiring people from within the locality of the vacancy. In this process we often are able to help the unemployed of such communities find lucrative and fulfilling employment.

Analysis by Age of Employees



Analysis reveals that the average period of service of an employee can be computed as 6.3 years. A review of the past six years of service statistics (from 2016/17 to 2021/22) indicates a reduction of the percentage of staff with less than five years of service from 70% to 50%. The corresponding figures for staff with 5-10 years of service are 22% and 33%; for staff with 11-20 years of service are 7% and 16%. The notable increase of the service period of employees indicates the success of the Company's strategies towards retaining its workforce. Competitive remuneration packages and non- financial benefits, implementing effective grievance counselling procedures, and embracing a corporate culture of growth are some of the measures adopted to underpin employee retention.

Employee Capital

Knowledge-enhancement and Development

The enhancement of knowledge and growth of our employees in both their professional and personal capacities is a much desired outcome for the Company. In this respect, the Company rolled out a comprehensive training calendar. Our employees have attended 14 training programmes at both the managerial and executive levels during the fiscal year. Training sessions have taken the form of seminars and workshops, some of which have been organised by external parties. Our employees have been encouraged to join training programmes conducted by The Central Bank of Sri Lanka, The Ceylon National Chamber of Industries, and The Institute of Chartered Accountants of Sri Lanka, among others this year.

Rewards, Incentives, and Benefits

Beyond mandatory remuneration measures and industry specific emoluments, Senkadagala Finance provides a range of other benefits through which we seek to acknowledge and reward the vital contribution employees render to the Company. Full cover of hospitalisation, medical expenses, and bank loans for longstanding employees, are some of the other benefits received by the staff. Incentives are also offered based on an ongoing performance evaluation system which measures the performance of individuals, branches at a regional level on a real time basis.

Health, Safety and Well-being

The health, safety, and well-being of our people and business is, of course, an important aspect of our operations. To this end, the Company has deployed security officers, CCTV facilities, and alarm systems to cover areas of potential risk and vulnerability. Safety protocols, including fire protection, are also in place in accordance with the Company's health and safety guidelines. These assumed new significance and emphasis in the light of the COVID-19 pandemic and are being strictly adhered to.

Addressing and Redressing Grievance

It is a fact that work life doesn't always go smoothly. Complaints and grievances are unfortunate outcomes of any body of work. Senkadagala Finance values the "satisfaction quotient" of every employee and has a formal grievance handling procedure in place to deal with employee complaints and grievances with empathy, transparency, and sensitivity. Moreover, the Company fosters a corporate culture of trust and communication which helps the workforce to come forward, with the full confidence that their issues will be listened to and dealt with in all seriousness and care. A whistle-blowing policy is also in place to give employees the opportunity to bring issues directly to the top management.

Seeking an Optimal Work-life Balance

The Company understands the value of a well rounded personality; one that is comfortable in the job, has space to grow and apply knowledge and skill as they evolve, whilst at the same time being equally comfortable with life outside of the workplace. This is our goal for each and every employee – it is a balance of life which we value very highly and seek at all times to foster for our people. To help achieve these ends, the Company offers convenient working hours, recruitments based on geographical area, a peaceful and friendly work environment, and allowing leave utilisation without pressure and anxiety.

A new scheme was introduced during the year to provide paternity leave for new fathers; the management objective being to permit the new father to create a bond with the newborn, and to assist and support the mother in the early care of the child. As such permanent employees are able to avail themselves of four weeks of leave at the birth of their child.

Social and Environmental Capital

Stakeholders

We understand full well that the presence and business activities of Senkadagala Finance reach far beyond shareholder and customer to a wider stakeholder community, all of whose well-being and success we hold dear. In our mutual relationship and success lies real value.

A vast network of stakeholders depends on the value added by the Company, through the operations of its business. Our financing facilities are offered to varied segments of society. The Company's target customers comprise parties that have a significant impact on the country's economy. Thus we lay special emphasis on entrepreneurs and small and medium enterprises, as they are majority contributors to the country's economy. The Company's services are offered to both the banked and the under banked segments of society. Through its financing facilities Senkadagala aims to upgrade the lives of its customers, and thereby uplift society in general.

As an example, the Company was able to mobilise funding from the investor/lending community for its Women's Small and Medium Entrepreneurs Loan Portfolio, through which we are able to support and advance Women, SME, and Green lending in Sri Lanka.

Environmental and Social Management System

The Environmental and Social Management System (ESMS) was introduced to incorporate environmental and social consciousness into the Company's lending processes. The System was formulated when the Company obtained its first loan from the International Finance Corporation (IFC). Customers of the Company are assisted in identifying, mitigating, and managing environmental and social risks and in the implementing of the system. Transparency – a key component of the Company – is ensured by adopting the ESMS and following its procedures.

The Company communicated the importance of complying with its policy on environment and social risk management to its customers through the implementation of the ESMS. An appendix was added to its loan agreements requiring customers to carry out business complying with the ESMS policies.

Senkadagala Finance encourages its customers' adherence to relevant local, national, and international level best practices on environment and social concerns after obtaining finances.

The Company understands its role as an influencer to its clients and business partners and takes care to act in accordance with the applicable environmental and social standard requirements at all times.

Online Document Retrieval System

A significant step towards reducing the Company's carbon footprint was achieved through the continued use of the Online Document Retrieval System. This has substantially reduced the requirement to reproduce physical copies of documents.

The system has also helped by reducing time taken for our loan approval process, which has led to improved efficiency and productivity.

Digitalisation of its staff claim approval process has also cut down the consumption of paper at both the branches and service centres.

The ability to retrieve documents through the system and reprint only when necessary, has led to substantial reductions in printing and stationery costs.

Recycling of paper is actively promoted by the Management and yields cost savings whilst encouraging staff to search out and implement similar initiatives.

Use of the various electronic data interchange services and data holders such as with the Commercial Bank, HNB, and CRIB has enabled operational efficiency and the elimination of lead time in the data collection and transaction process, while reducing the use of paper.

Social and Environmental Capital

Energy Consumption

In its goal to expand on its green initiative and to forge a path towards using sustainable energy, the Company has taken several steps during the year.

The Management has taken measures to install solar panels with net metering on its existing property with further intention of installing solar electrical systems at all its new properties under construction. Outdated air conditioning units have been replaced with inverter air conditioners to minimise energy consumption. The new branches and service centres have been fitted with LED light panels and staff has been educated on simple energy-saving activities, such as switching off lights when not in use and unplugging appliances not in use. The high procurement and installation costs of using LED lights are offset by the financial gain achieved through reduced energy consumption. All these initiatives have enabled the Company to reduce its electricity consumption levels below those of the previous year despite the increasing volume of business and operations. A comparison with the previous year's utility costs confirms a favourable outcome on its electricity consumption for the year 2021/22.

Spending Utilities

	2022	2021	Variance %
Electricity expenses (LKR)	43,264,306	45,429,980	(4.77)
Number of units	1,701,143	1,750,041	(2.79)

	2022	2021	Variance %
Water expenses (LKR)	1,358,024	1,268,617	7.05
Number of units	15,069	14,072	7.08

Shareholder and Investor Capital

Senkadagala Finance, since its listing as a public limited company in 2011, has grown steadily gaining the trust of its shareholders. From the three shareholders we had at incorporation, the Company has grown its portfolio to 183 shareholders as at 31 March 2022. While the majority are resident shareholders, they are composed of a mix of both individuals and institutions.

The Company's listing in the *"DiriSavi"* Board of the Colombo Stock Exchange in March 2011 provided the investor with a liquid form of investment. The number of shares has grown with new share issuances, capitalisations, and issuances of rights from time to time. This year 13,804,773 new shares were issued by way of two rights issues in April and November 2021 respectively. The total number of shares in issue has grown to 86,279,834 shares as at 31 March 2022. All shares listed are voting shares; the Company does not have any other categories of shares in issue.

Shareholder Information

Twenty largest shareholders

As at 31 March	2022		2021	
	Number of shares	% of holding	Number of shares	% of holding
E. W. Balasuriya & Co. (Pvt) Limited	44,781,393	51.90	40,918,535	56.46
Hallsville Trading Group Inc.	7,088,562	8.22	5,954,393	8.22
Dr (Mrs) G Madan Mohan	5,926,720	6.87	4,172,045	5.76
Mr R Balasuriya	5,926,719	6.87	4,172,045	5.76
Late Dr M Balasuriya	4,172,046	4.84	4,172,046	5.76
Dr A Balasuriya and Mr D Balasuriya	2,963,360	3.43	2,086,023	2.88
Mr L Balasuriya and Mr S K Balasuriya	2,963,360	3.43	2,086,023	2.88
Dr A Balasuriya and Mr S Balasuriya	2,963,358	3.43	2,086,022	2.88
Mr L Balasuriya and Ms A S Balasuriya	2,963,358	3.43	2,086,022	2.88
Ms L Fernando and Ms S A Fernando	1,735,089	2.01	1,166,232	1.61
Ms L Fernando and Mr A R Fernando	1,735,088	2.01	1,166,231	1.61
Ms L Fernando and Ms A L Fernando	1,735,088	2.01	1,166,231	1.61
Mr D K C R Fernando	721,444	0.84	673,348	0.93
Mrs C Fernando	185,237	0.21	172,888	0.24
Estate of the late Mr D G K Hewamallika	172,888	0.20	172,888	0.24
Mr I M Thaha	144,073	0.17	144,073	0.20
Mr M M Ariyaratne	37,681	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	86,263,812	99.97	72,475,046	100.00

Shareholder and Investor Capital

Directors' Shareholding

As at 31 March	2022		2021	
	Number of shares	% of holding	Number of shares	% of holding
Dr A Balasuriya and Mr D Balasuriya	**2,963,360**	**3.43**	2,086,023	2.88
Mr L Balasuriya and Mr S K Balasuriya	**2,963,360**	**3.43**	2,086,023	2.88
Dr A Balasuriya and Mr S Balasuriya	**2,963,358**	**3.43**	2,086,022	2.88
Mr L Balasuriya and Ms A S Balasuriya	**2,963,358**	**3.43**	2,086,022	2.88
Ms L Fernando and Ms S A Fernando	**1,735,089**	**2.01**	1,166,232	1.61
Ms L Fernando and Mr A R Fernando	**1,735,088**	**2.01**	1,166,231	1.61
Ms L Fernando and Ms A L Fernando	**1,735,088**	**2.01**	1,166,231	1.61
Mr L Balasuriya - The Trustee of the Capitalisation Issue	**16**	**0.00**	15	0.00
Mr S D Bandaranayake	–	**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	–	**0.00**	–	0.00

Shareholder and Investor Capital

Distribution of Shareholding

As at 31 March	2022			2021		
	Number of holders	Number of Shares	%	Number of holders	Number of Shares	%
1 - 1,000	160	10,688	0.01	1	15	0.00
1,001 – 10,000	3	5,334	0.01	0	-	0.00
10,001 - 100,000	4	86,029	0.10	4	80,001	0.11
100,001 - 1,000,000	4	1,223,642	1.42	4	1,163,197	1.60
1,000,001 - 10,000,000	11	40,172,748	46.56	11	30,313,313	41.83
Over 10,000,000 shares	1	44,781,393	51.90	1	40,918,535	56.46
Total		86,279,834	100.00		72,475,061	100.00

Residential and Non-residential Shareholders

As at 31 March	2022			2021		
	Number of holders	Number of Shares	%	Number of holders	Number of Shares	%
Resident shareholders	182	79,191,272	91.78	20	66,520,668	91.78
Non resident shareholders	1	7,088,562	8.22	1	5,954,393	8.22
Total		86,279,834	100.00		72,475,061	100.00

Shareholder and Investor Capital

Institutional and Individual Shareholders

As at 31 March	2022			2021		
	Number of holders	Number of Shares	%	Number of holders	Number of Shares	%
Institutions	13	51,875,252	60.12	3	46,872,943	64.67
Individuals	170	34,404,582	39.88	18	25,602,118	35.33
Total		86,279,834	100.00		72,475,061	100.00

Ratios and Performance Indicators

As at 31 March	2022	2021	2020	2019	2018
Earnings per share (LKR)	10.97	7.20	3.14	13.12	13.97
Dividends per share (LKR)	1.16	–	0.95	3.15	3.00
Net assets per share (LKR)	88.62	82.23	74.65	73.09	69.42
Price earnings ratio (Times)	49.34	12.77*	29.30	6.86	6.44
Price to book value ratio (Times)	6.11	1.12	1.23	1.23	1.30
Dividends yield (%)	0.21	–	1.03	3.50	3.33

** Calculated based on diluted earnings per share.*

Shareholder and Investor Capital

Market Price and Trade Information

As at 31 March	2022	2021
Market Prices		
Highest price (LKR)	1,564.00	Not traded
Lowest price (LKR)	70.00	Not traded
Last traded price (LKR)	541.25	Not traded
Last traded date	30 March 2022	–
Number of trades	1,643	–
Number of shares traded	37,672	–
Value of shares traded (LKR)	21,198,282	–

Information on Public Holding and Market Capitalisation

As at 31 March	2022	2021	Minimum requirement
Public holding (%)	21.43	21.40	7.50
Number of public shareholders	172	9	200
The float adjusted market capitalisation (LKR)	10,007,587,161	1,403,915,883	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 2022 the Company was not in compliance with the minimum number of shareholders required therein.

Shareholder and Investor Capital

Rights Issue

During the year the Board of Directors declared and raised LKR 836,914,365 by way of two rights issues with the approval of the Colombo Stock Exchange and the Central Bank of Sri Lanka. Details of the rights issues are as follows;

Rights issue	Number of shares issued	Price per share LKR	Proceeds from issue LKR	Date of EGM	Date of listing of shares
April 2021	5,176,790	70.00	362,375,300	29 March 2022	28 April 2021
November 2021	8,627,983	55.00	474,539,065	27 October 2022	9 December 2021

The primary objective of the issues was to improve the capital adequacy position of the Company. The funds raised were 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 in April 2021 are as follows.

Objective No.	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilisation as per circular	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% 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	31 March 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

Details of utilisation of funds raised via the Rights Issue in November 2021 are as follows.

Objective No.	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilisation as per circular	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Maintain a higher capital adequacy	474,539,065	30 November 2021	474,539,065	100	474,539,065	100	N/A
2	Increase the loan book of the Company	474,539,065	Three months from receipt (i.e. 28 February 2022)	474,539,065	100	474,539,065	100	N/A

Shareholder and Investor Capital

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.

The current economic condition and its effect on business continuity and liquidity positions were key considerations when deciding the final dividend proposed for the financial year 2021/22 due to the bleak condition of the economy.

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

	2022			2021		
	Amount LKR	DPS LKR	Paid date	Amount LKR	DPS LKR	Paid date
Final dividend proposed	120,791,768	1.40	Subject to AGM approval	90,076,147	1.16	22 September 2021
Total dividends proposed for the year	120,791,768			90,076,147		
Total dividends paid during the year	90,076,147			–		
Earnings for the year	902,971,209			554,745,075		
Dividends pay-out ratio (%)*	9.98			0.00		
Earnings retention ratio (%)	90.02			100.00		

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

Information on Listed Debenture

The listed debentures provide a reliable source of funding for corporates. It also allows the investors to reap benefits of favourable market movements and realised the gains when required. Senkadagala Finance has a subordinated listed debenture in issue as at 31 March 2022.

Debenture	August 2019/24
Instrument	Subordinated, Unsecured, Redeemable, Rated
Listing	Main board of the Colombo Stock Exchange
Redemption	Redeemable
Number of debentures	17,500,000
Issue price (LKR)	100.00
Tenure	5 years
Date of issue	August 2019
Date of maturity	August 2024
Interest rate	Fixed coupon of 12.875% p.a.
Frequency of interest	Semi-annually
Effective annual yield (%)	13.29
Interest of comparable government securities (%)	15.75
Credit rating by Fitch Ratings (Lanka) Limited	BBB- (lka) RWN
Total value (LKR)	1,750,000,000
Market information	
Highest traded value (LKR)	103.94
Lowest traded value (LKR)	102.02
Last traded value (LKR)	102.99
Current yield (%)	12.50
Yield to maturity (%)	11.17

Shareholder and Investor Capital

The Company redeemed listed debentures to the value of LKR 2,413.21 Mn. during the financial year ended 31 March 2021, there were no redemptions in the current 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 No.	Objective as per prospectus	Amount allocated as per prospectus LKR	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including whether the funds are invested
1	Expansion of the lending portfolio	1,750 Mn.	Within 12 months from the date of allotment	1,750 Mn.	100	1,750 Mn.	100	N/A

Other Information

	2022	2021	2020	2019	2018
Debt to equity ratio (Times)	2.47	3.14	2.96	3.77	3.93
Interest cover (Times)	1.49	1.22	1.14	1.25	1.40

Capital Adequacy

Maintaining adequate capital adequacy buffers has allowed Senkadagala Finance to remain resilient amidst the challenging economic conditions the country is facing at present. Central Bank of Sri Lanka has issued several directives to govern the capital adequacy aspect of non-banking financial institutions. The salient features of these directives are as follows:

Finance Companies (Capital Funds) Direction No. 01 of 2003

- Every finance company shall always maintain capital funds at a level above 10% of its total deposit liabilities.
- Every finance company shall maintain a Statutory Reserve Fund to which it transfers a specified fraction of its net profits of the year based on the ratio of capital funds to total deposit liabilities.

Shareholder and Investor Capital

Finance Companies (Capital Adequacy Requirement) Direction No. 03 of 2018

Finance companies are required to maintain their core capital at a level not less than 7.0% of its risk weighted assets, and total capital at a level not less than 11.0% of its risk weighted assets with effect from July 2021. This is expected to increase to 8.5% and 12.5% respectively from 1 July 2022.

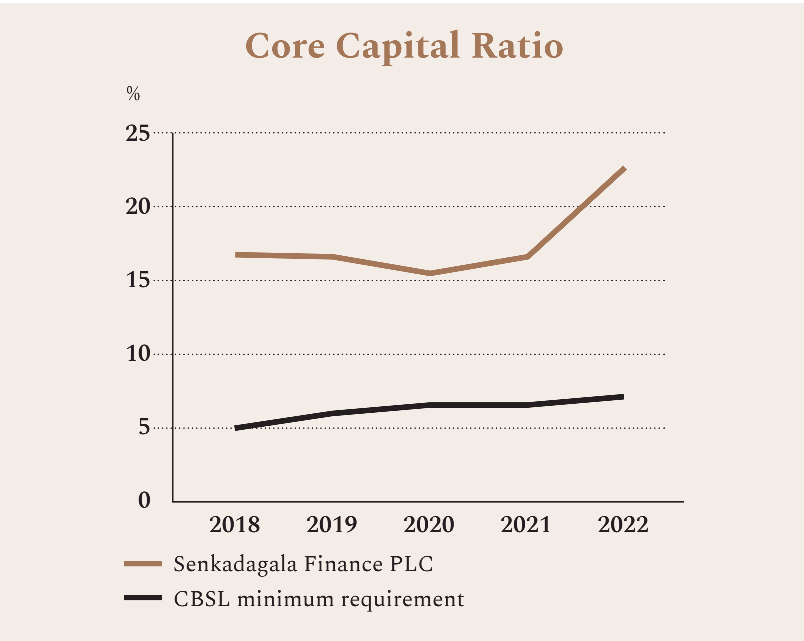
Finance Companies (Minimum Core Capital) Direction No. 02 of 2017

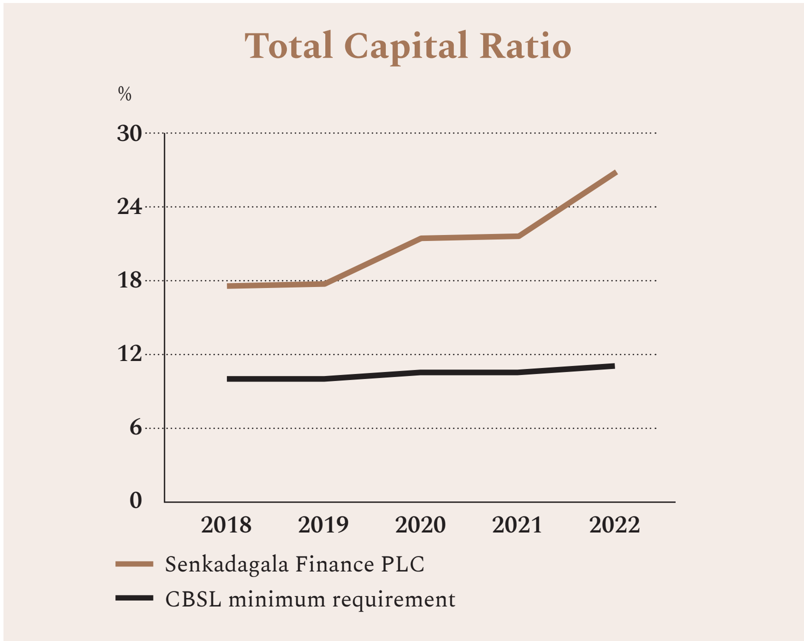
Every finance company shall at all times maintain an unimpaired core capital not less than LKR 2.5 Bn. from 1.1.2022. The minimum core capital requirement to LFCs was introduced with a view of encouraging consolidation of the industry.

Our Commitment

Senkadagala Finance prides itself of being able to maintain an adequate capital reserve even during times of economic turbulence . The Company recorded a core capital ratio of 22.75%, surpassing the minimum capital ratio of 7%, and a total capital ratio of 26.89%. In the year under review the Company has taken following initiatives to improve its capital position.

- The Statutory Reserve Fund amounted to LKR 506,036,033 as at 31 March 2022. LKR 46 Mn. was transferred out of profits during the year.
- LKR 850 Mn. was retained out of profits, within the Company to support future growth and to strengthening the capital base.
- Concluded two rights issues in April and November 2021 raising LKR 362 Mn. and LKR 475 Mn. respectively to further strengthen the capital base of the entity.





The ceramic product is removed from the mould and is crafted by hand to achieve the delicate, finer details of the product.

Governance

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, and Ceylon Tea Marketing (Pvt) Ltd., (Chairman).

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., McLarens Holdings 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. Mr Balasuriya previously served on the Board of Senfin Asset Management (Pvt) Ltd. He holds a BSc (London) and MSc (Lancaster) and has over 40 years of experience in finance, hotel management, and other commercial fields. He is the Managing Director and the Chief Executive Officer of Senkadagala Finance PLC.

Dr Asoka Balasuriya

BSc (London), PhD (London)

Executive Director

Dr Balasuriya holds a BSc (Lon) and a PhD (Lon) and has 38 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 25 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 Mr Bandaranayake 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 Lakdhanavi Ltd., Senfin Asset Management (Pvt) Ltd., Senfin Securities Limited, and Sobadhanavi Limited.

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, Director of Ceylinco Insurance PLC, Independent Non-Executive Director of DFCC Bank PLC and an Executive Director of Asset Trust Management (Pvt) Ltd. Mr Kumar served as a 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 to 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 completed a Master in Public Administration as an Edward S Mason Fellow at the John F Kennedy School of Government at Harvard University USA in 2020. She also has a PhD in Economics from the University of Melbourne Australia, a Master's in Environmental Geography from the University of Illinois in Chicago, IL, USA and a Master in Economics and 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 rights of and responsibilities to stakeholders.

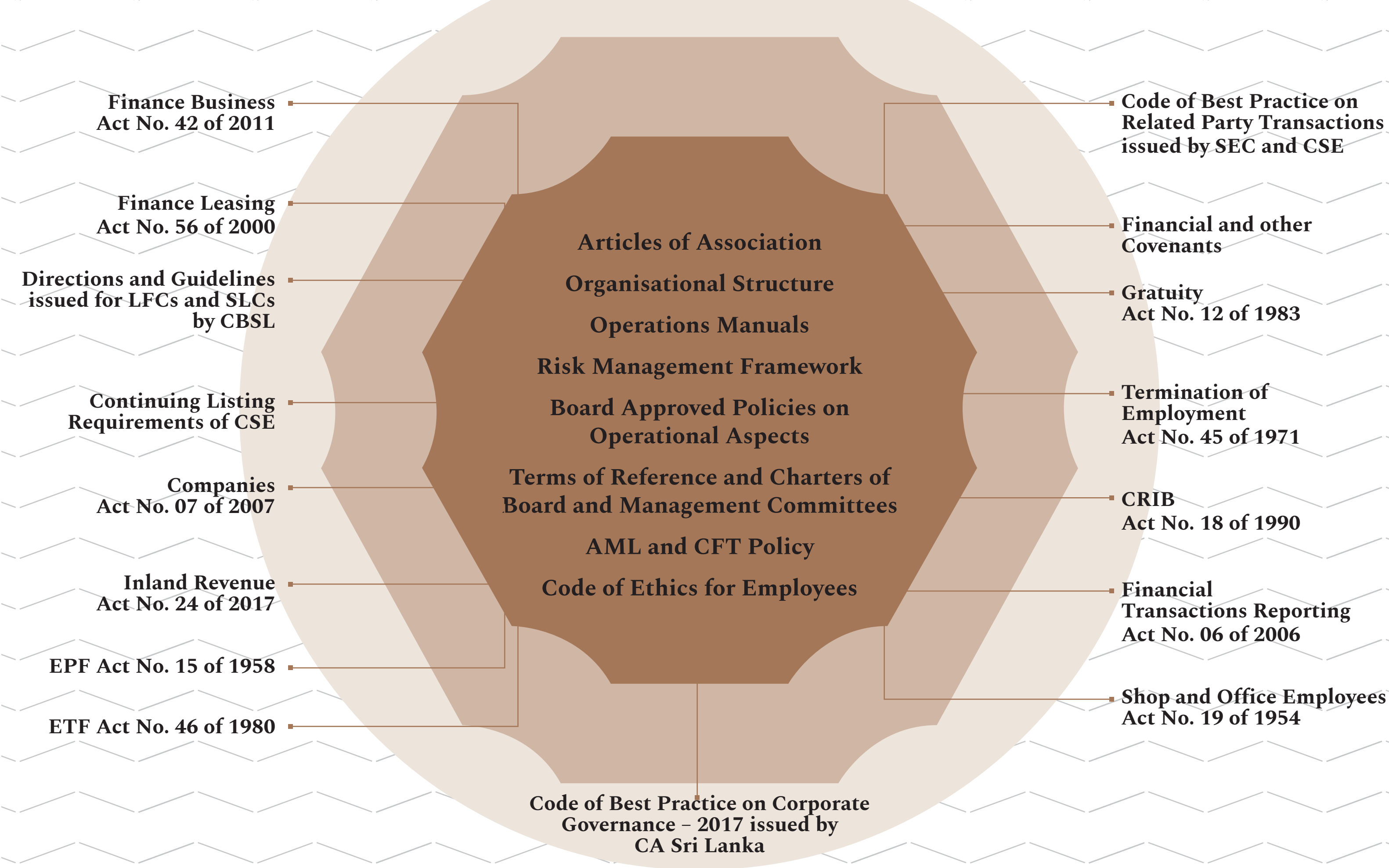
The concept of corporate governance which has been defined as a system by which companies are directed, managed and controlled, the effective, transparent and accountable governance of affairs of a company by its management, including the conduct of the Board, ensures good corporate governance. Therefore, 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.

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. 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.

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 and 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

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	**Key objectives**	**Key objectives**	**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 with and appointment of the External Auditor, monitoring and reviewing of effectiveness of the internal audit function	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	Development and implementation of the Company's remuneration framework and policies for Directors and the Management including all incentives, bonuses, and retirement benefits	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 attending by invitation*	*Three Independent Non-Executive Directors*	*Three Independent Non-Executive Directors and one Executive Director*

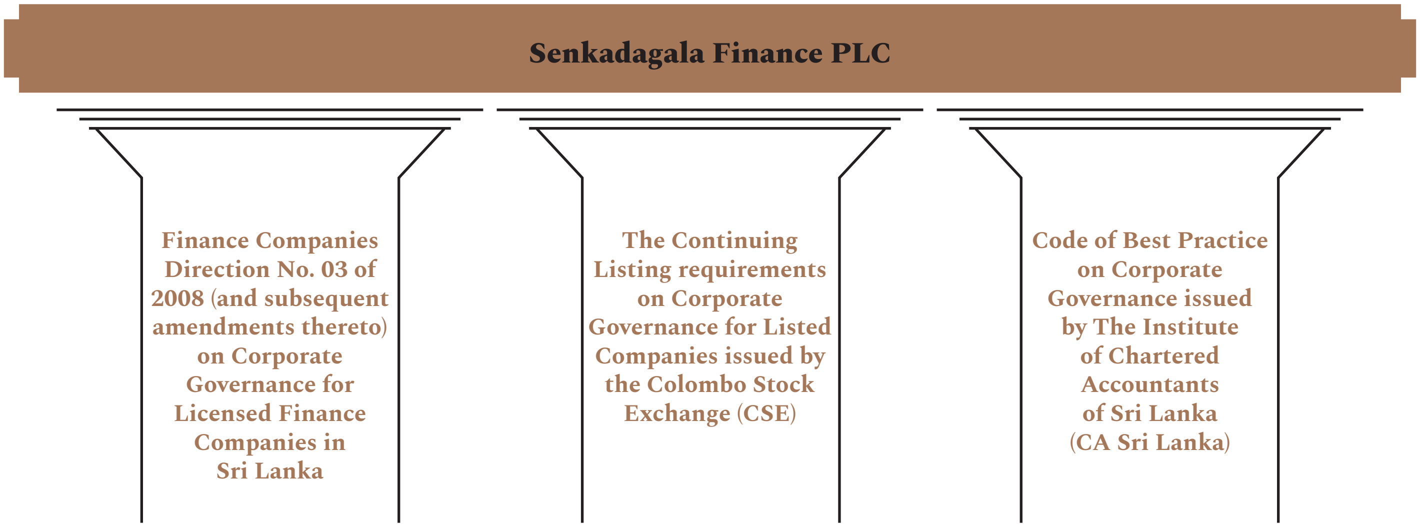
Executive Management Committee

Managing Director/ Chief Executive Officer | Additional Chief Executive Officer | Two Executive Directors | Chief Financial Officer | Chief Risk Officer | Compliance 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.

Corporate Governance

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
2 (2)	Chairman and CEO	Complied	The functions and the responsibilities of the Non-Executive Chairman and the Managing Director/CEO have been in line with 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.
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. 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 at 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.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
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.
3 (8)	Minutes of Board meetings	Complied	Duly recorded 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

4 (1)	Number of Directors	Complied	There were eight 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 2022
Mr W M R S Dias	Chairman – Independent Non-Executive Director	Completed 7 years and 7 months
Mr D T P Collure (Resigned w.e.f. 10 May 2021)	Independent Non-Executive Director	Completed 6 years and 11 months as at resigned date
Mr Senanayakege R Pushpakumara	Independent Non-Executive Director	Completed 5 years
Mr N Vasantha Kumar	Independent Non-Executive Director	Completed 2 years and 9 months
Dr (Ms) R A Perera	Independent Non-Executive Director	Completed 1 year and 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 four Independent Non-Executive Directors out of a total of eight 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 four Non-Executive Directors of the Board possess adequate skills and experience to contribute to the Board in effectively discharging its obligations. The details of the level of experience of each Non-Executive Director have been set out on pages 64 and 65 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 a satisfactory proportion of Non-Executive Directors was 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 64 and 65.
4 (9)	Appointment of new Directors	Complied	No such situation has arisen during the year.
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. Mr S D Bandaranayake will reach 70 years of age in September 2022, and as per the Direction No. 05 of 2021 (w.e.f. 01.07.2022) the necessary documents will be submitted to the Monetary Board in due time to request approval for continuation as a Director of the Company.
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.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
6. Delegation of functions			
6 (1)	Delegating work	Complied	The Board ensures that 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 that 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 page 90.
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 91 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 93 of this Annual Report.

CBSL rule	Corporate governance principle	Compliance status	Level of compliance
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.
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 108. (b) Statement of Internal Control by the Board is given on page 114. (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 64 and 65. (e) Fees and remuneration paid by the Company to the Directors in aggregate is given on pages 109 of this report and 206 of the Financial Statements. (f) Details of accommodations granted to related parties during the year are given on page 205 of the Financial Statements. (g) The details of the aggregate values of remuneration paid by the Company to its Key Management Personnel are disclosed on page 206. (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 four 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 four 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 89.) A brief profile of each Director has been set out on pages 64 and 65. 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 92 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 page 90 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:

Section	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 12 Board meetings during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 89.
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 that the CEO and the Management Team possesses the skills, experience and knowledge to devise the strategy. ▸ Having a proper succession plan for the Key Management Personnel including CEO. ▸ Securing integrity of information, prudent management of risks, designing effective internal controls, and ensuring business continuity. ▸ Ensuring compliance with laws and regulations. ▸ Considering all stakeholder interests in the corporate decision-making process. ▸ Recognising sustainable business development in Company's strategy, decisions and other activities. ▸ Company's values and standards are set with emphasis on adopting appropriate accounting policies.
A.1.3	Independent professional advice	Adopted	Independent professional advice could be obtained by the Directors as and when required at the Company's expense.
A.1.4	Access to the Company Secretary	Adopted	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. There has not been any instance 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.

Corporate Governance

Section	Corporate governance principle	Adoption status	Level of adoption
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 in programmes organised by CBSL, etc.

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 64 and 65). These Directors have sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.

Section	Corporate governance principle	Adoption status	Level of adoption

A.5 Board balance

The Board of the Company consists of four Non-Executive Directors and four Executive Directors as at the end of the year.

Section	Corporate governance principle	Adoption status	Level of adoption
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 within the requirements of the Code.
A.5.3	Mode of independence	Adopted	All Independent Directors are independent of management and free of business relationships so that they could exercise their unfettered and independent judgement over decisions without any material interference.
A.5.4	Declaration of independence	Adopted	All Independent Non-Executive Directors submit their annual declarations as to their independence against the specified criteria.
A.5.5	Determination of independence of the Directors by the Board	Adopted	The Board determines that the submission of declaration by the Independent Directors as to their independence is a fair representation and continues to evaluate it annually.
A.5.6	Alternate Director	Not applicable	The requirement for appointing an Alternate Director has not arisen during the year.
A.5.7 and A.5.8	Senior Independent Director	Not applicable	Such 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.

Section	Corporate governance principle	Adoption status	Level of adoption
A.6.1	Information to the Board by Management	Adopted	The Management provides appropriate and timely information to the Board and the Board calls for further information where necessary. The Chairman ensures that all Directors are provided with all necessary information pertaining to the issues discussed at Board meetings.

Section	Corporate governance principle	Adoption status	Level of adoption
A.6.2	Notice of Board meetings	Adopted	The Board papers including minutes of the immediately preceding meeting and the 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.

Section	Corporate governance principle	Adoption status	Level of adoption
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.

Section	Corporate governance principle	Adoption status	Level of adoption
A.8.1	Appointment of Non-Executive Directors	Adopted	Non-Executive Directors are only appointed for a period of nine years with the age limit of seventy.
A.8.2	Election of Directors	Adopted	Appointment and reappointment of all Directors including the Chairman of the Board is subject to election by shareholders.

A.9 Appraisal of Board performance

The Board performance is evaluated annually in order to ensure satisfactory discharge of its responsibilities.

Section	Corporate governance principle	Adoption status	Level of adoption
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.

Section	Corporate governance principle	Adoption status	Level of adoption
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 64 and 65 in this Report. Please refer the table given on page 89 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 92, 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 92 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.
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.

Section	Corporate governance principle	Adoption status	Level of adoption

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.

Section	Corporate governance principle	Adoption status	Level of adoption
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.

Section	Corporate governance principle	Adoption status	Level of adoption
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 92. The remuneration paid to the Board of Directors is disclosed in aggregate in Note 45.3 to the Financial Statements on page 206.

Section	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	Annual Report, Interim Financial Statements, Notices of Meetings, 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.

Section	Corporate governance principle	Adoption status	Level of adoption
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	The Board or individual Director/s will respond to shareholders' matters through the Company's Board Secretary.

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.

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, the 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 108 to 113 describes the level of compliance with the requirements of this section.
D.1.4	Declarations in the Directors' Report	Adopted	The Directors have made all their declarations in the "Annual Report of the Board of Directors" given on pages 108 to 113.
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 108 and 122 of the Annual Report. The Auditor's reporting responsibility is given in their Report on the Financial Statements on pages 115 to 119. The Directors' Statement on Internal Control is given on page 114 and the Auditor's certification on the Directors' Statement on Internal Control is given on page 114.

Section	Corporate governance principle	Adoption status	Level of adoption
D.1.6	Management Discussion and Analysis in the Annual Report	Adopted	Pages 08 to 61 of this Annual Report contain the Management Discussion and Analysis.
D.1.7	Requirement for calling for an 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, keeping proper records on them and making necessary disclosures in the Financial Statements accordingly.

D.2 Risk management and internal control

The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.

Section	Corporate governance principle	Adoption status	Level of adoption
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 91. The Directors' Statement on Internal Control is given on page 114.
D.2.2	Risk assessment	Adopted	The Risk Management Report on pages 94 to 105 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 Messrs Ernst & Young Advisory Services (Pvt) Ltd. to whom particularly branch audits have been outsourced. Further, to coordinate the function well and to carry out special assignments and investigations, the Company's Internal Auditor 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 114. 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 Control" on page 114.

Section	Corporate governance principle	Adoption status	Level of adoption
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 page 90 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. 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 page 90. 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 page 90.
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 three Independent Non-Executive Directors including its Chairman during the year. The Related Party Transactions Review Committee Report is given on page 93 of this Annual Report.

Section	Corporate governance principle	Adoption status	Level of adoption
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 93 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.
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 66 to 89 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.

Section	Corporate governance principle	Adoption status	Level of adoption

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.

Section	Corporate governance principle	Adoption status	Level of adoption
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.

Section	Corporate governance principle	Adoption status	Level of adoption
F.1	Individual investors investing/ divesting decisions	Adopted	The Company by disclosing all required information that would be useful for individual shareholders, encourages 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.

Section	Corporate governance principle	Adoption status	Level of adoption
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. CIO 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**		12*	03*	04*	03*	03*
Mr W M R S Dias	Chairman Independent Non-Executive Director	12/12	–	–	–	–
Mr L Balasuriya	Managing Director/Chief Executive Officer Executive Director	12/12	03/03	–	03/03	–
Dr A Balasuriya	Director – Operations Executive Director	11/12	–	–	–	–
Ms L Fernando	Director – Human Resources Executive Director	10/12	–	–	–	–
Mr S D Bandaranayake	Director/Additional Chief Executive Officer Executive Director	12/12	03/03	04/04	03/03	03/03
Mr Senanayakege R Pushpakumara	Independent Non-Executive Director	12/12	03/03	–	03/03	03/03
Mr N Vasantha Kumar	Independent Non-Executive Director	12/12	03/03	02/04	03/03	02/03
Dr (Ms) R A Perera	Independent Non-Executive Director	12/12	01/01	–	–	–

**Attended/Eligible to attend – Only three Audit Committee meetings, three Remuneration Committee meetings and three Related Party Transactions Review Committee meetings could be held during the year due to work related limitations from the COVID-19 pandemic.*

*** Out of the twelve Board meetings held for the year, nine were held virtually and the other three were held physically with some of the Directors attending virtually (hybrid). Further, all Integrated Risk Management Committee meetings, Audit Committee meetings, two Remuneration Committee meetings and two Related Party Transactions Review Committee meetings 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 the following Directors:

- Mr Senanayakege R Pushpakumara (FCA) BCom (Special) (USJ) PG Dip (BMgt) – Independent Non-Executive Director Chairman of the Audit Committee
- Mr N Vasantha Kumar – Independent Non-Executive Director
- Dr (Ms) R A Perera – 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 64 and 65 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 89 of this 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 2023, 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. 03 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 2021/22 were recommended by the Audit Committee and approved by the Board.

Senanayakege R Pushpakumara
Chairman
Audit Committee

28 June 2022

Report of the Integrated Risk Management Committee

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

Composition

The Integrated Risk Management Committee comprised the following Directors:

- Mr S D Bandaranayake – Executive Director/Additional CEO – Chairman of the Committee
- Mr L Balasuriya – Executive Director, CEO/Managing Director
- Mr N Vasantha Kumar – Independent Non-Executive Director

(Brief profiles of the Directors are set out on pages 64 and 65 of this Annual Report).

Senior Management representatives who attend the meetings are:

- Mr P Ikiriwatte – DCEO
- Mr J Jayatilake – COO
- Mr T De Silva – CIO
- Mr T K Aturupana – CPO
- Mr A D Hettiarachchi – GM-CV
- Mr N Rasingolla – DCIO
- Mr S D R S Fernando – CHRO
- Mr N Karunaratne – GM-L
- Mr K Rajapaksa – CFO
- Mr S Supramaniam – GM-T
- Mr L Perera – GM-FX
- Mr T Ranathunga – CRO

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

28 June 2022

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 responsible persons of the Company.

Composition

- Mr Senanayakege R Pushpakumara – Independent Non-Executive Director, Chairman of the Remuneration Committee
- Mr N Vasantha Kumar – Independent Non-Executive Director
- Dr (Ms) R A Perera – 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 64 and of 65 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 89 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

28 June 2022

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 N Vasantha Kumar – Independent Non-Executive Director
- Dr (Ms) R A Perera – Independent Non-Executive Director
- Mr S D Bandaranayake – Executive Director/Additional Chief Executive Officer

Mr K Rajapakshe – Chief Financial Officer (CFO) and

Mr T Ranathunga – Chief Risk Officer (CRO) 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 2021/22

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 45 to the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 89 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 109 of this Annual Report.

Senanayakege R Pushpakumara
Chairman
Related Party Transactions Review Committee

28 June 2022

Risk Management

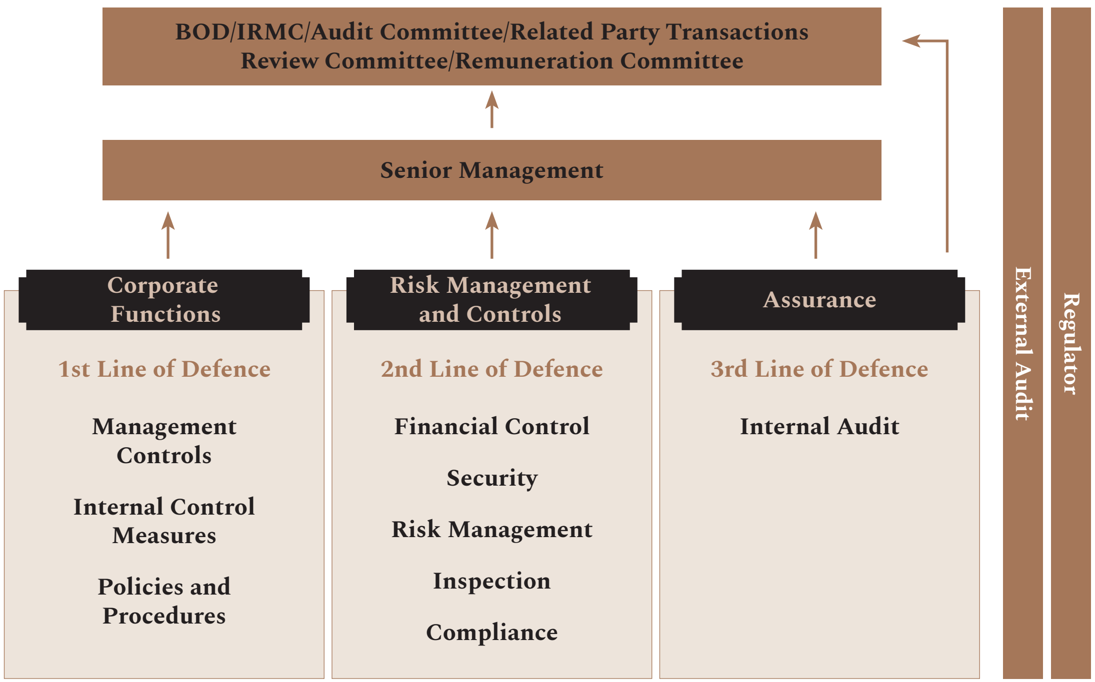
At a time when even crisis events are unfolding one after another in the global arena as well as in the country, importance of effective risk management and sound governance for success of a business cannot be overemphasised. It is more so for financial institutions, as their business model is centred 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. Current economic and social unrest coupled with the continuing controls required to battle COVID-19, requires 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.



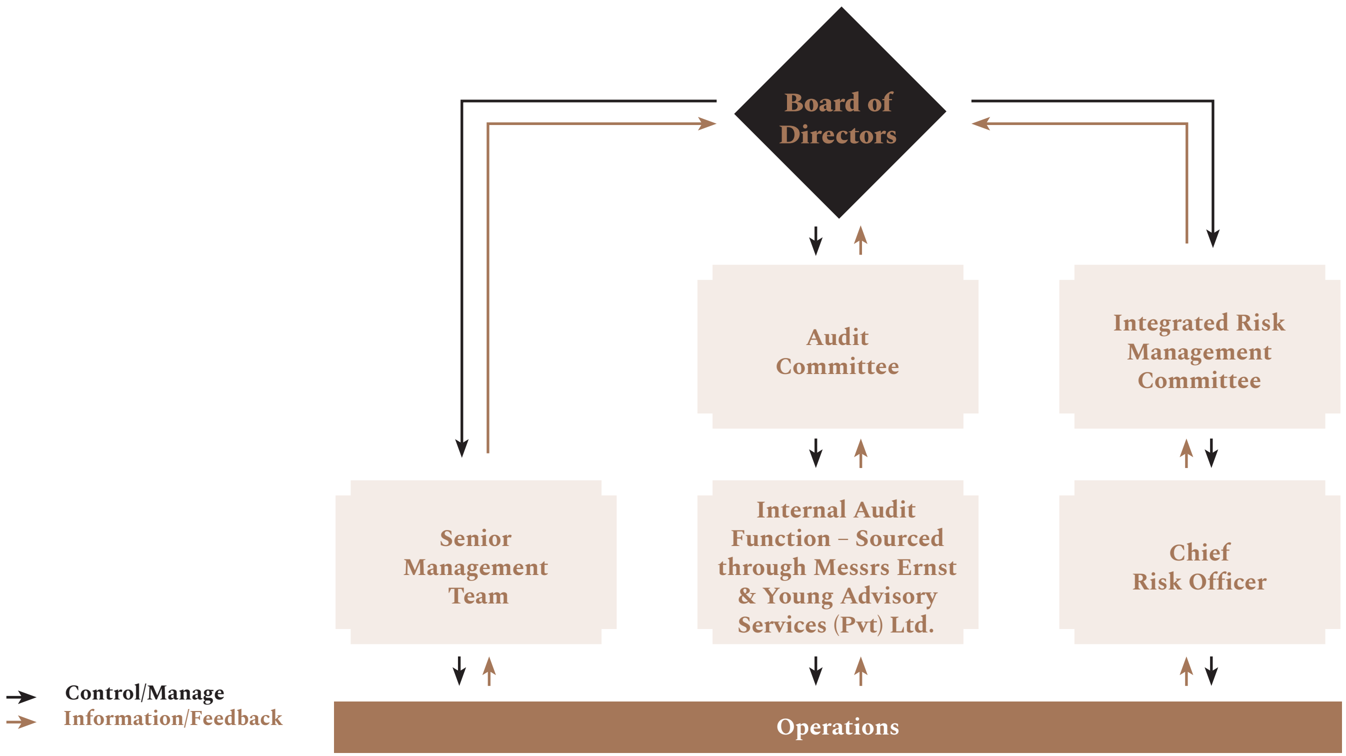
Risk Management

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 meets periodically and identifies emerging risks and the course of action to be taken to counter such 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 that the internal control systems are adequate and organisational culture is geared towards creating risk awareness.



Risk Management

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 and 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. Summarised risk reports are also forwarded to the Board meetings for risk assessment and remedial actions.

Independent Assurance

Senkadagala Finance has an on-site 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 actions 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 is continuing into 2022, evident by the negative growth recorded during the year 2021. However, the sovereign default causing mass economic and social downturn coupled with the high inflation and depleting foreign currency reserves had a more pronounced impact on the financial sector during this year than COVID. Restrictions on imports, increasing fuel prices, the depreciation of the rupee, heightened regulatory controls and rising market interest rates made this year very challenging. As a result of these developments, the financial sector witnessed a weak demand for credit, deteriorated asset quality, rising impairment costs, diminishing interest margins, increase in operational costs ultimately leading to a drop in profitability.

Risk Management

In the global arena, gas and oil markets turned unpredictable as a result of the war in Ukraine, and the resulting actions on Russia by the other superpowers. Increasing reliance on digital technologies, exacerbated by the COVID-19 pandemic has radically transformed societies. Simultaneously, cyberthreats are increasing at a faster rate. Spill over 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
Rapid economic downturn	Decrease in demand for new business	▸ Identify niche customer segments and industries for business promotion ▸ Ensure satisfaction of existing customers ▸ Reduce switching costs for customers of competitors
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
Market interest rate fluctuations	Reduced interest margins decrease profitability	▸ Continuous evaluation of product pricing in line with market trends ▸ Opt for long-term funding to match with income patterns ▸ Focus on asset and liability pricing management
Technological transformation	Increased demand to implement state-of-the-art systems and processes to stay competitive	▸ 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 ▸ Implementing strategies to embrace the technological transformation
Cybersecurity threats	Increased risk of data security and business disruption	▸ Introduced state-of-the-art cybersecurity measures ▸ Sourced expert advice on detecting potential threats and shortcomings ▸ Introduced new security measures to safeguard against identified and potential threats

Risk Management

Risk Types

Implications of key risk areas such as credit risk, liquidity risk, market risk, and operational risk 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.

Loans and advances, a major component of the assets of the Company are exposed to credit risk and amounted to LKR 26,102 Mn. as at 31 March 2022, primarily consisting of finance leases. Hence, managing this risk is critical to the operations of 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:

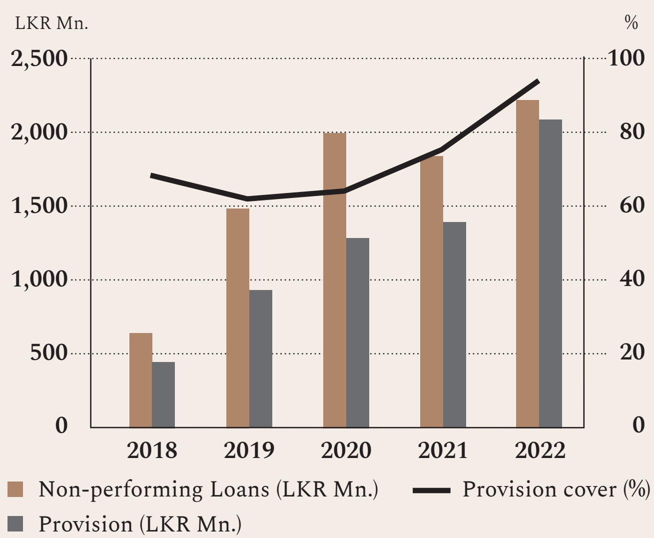
Marketing Staff	Recovery Department	Legal Department
Continuous relations with customers	Site visit by Recovery Officer	Letter of Demand
Periodic site visits	Follow-up action	Repossession of vehicles
Courtesy reminders via SMS	Restructure loans	Mediation Board to recover the dues
Payment reminders via mail	Voluntary handover	Initiate legal action
Phone calls	Allow third party transfers to creditworthy customers	
Site visits by the loan officer, Branch Manager		

Risk Management

During the year under review several initiatives were adopted to strengthen the credit evaluation process and the recovery process of the Company. System automation of capturing of the CRIB information was one such key initiative to strengthen the credit evaluations, thereby the Company is expected to reduce the lead time for credit evaluation while reducing human errors. This has also enabled the Company to streamline the pricing in line with the risk appetite of the Company in a systematic way.

The Recoveries Department and the Legal Department too experienced a restructuring after being brought under a common AGM. The restructuring has enabled the two departments to implement a coordinated strategy when addressing potential risk factors as and when it evolves.

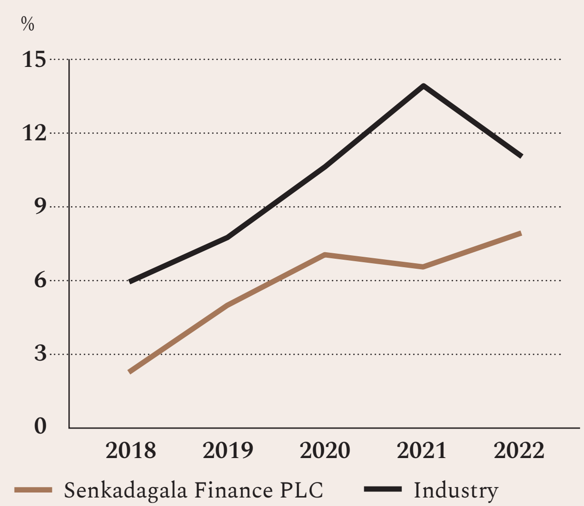
Non-performing Loans and Provision Cover



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.

The financial services sector has been experiencing an overall increase in defaults in the past few years due to economic downturn. Senkadagala Finance too experienced this and as a result, the gross NPL ratio was recorded at 7.94% at the year end. This was higher than the 6.47% recorded in March 2021, however, the Company continued to maintain its NPLs at a level well below the industry average of 11% for the year ended December 2021.

Gross NPL Ratio



Market Risk

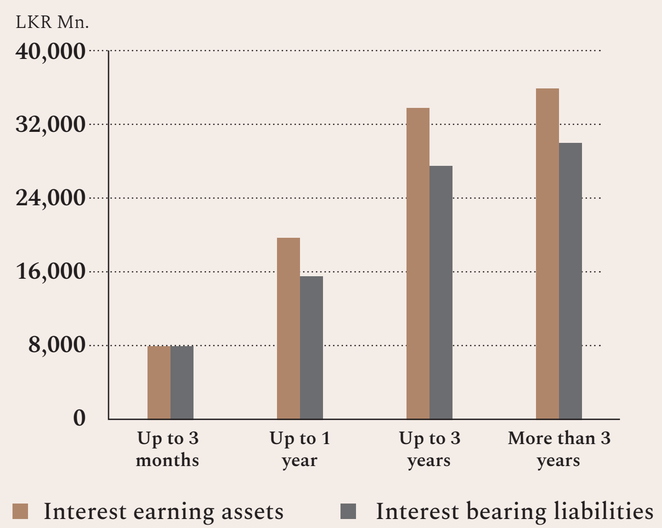
Market risk is losses incurred as a result of unfavourable movements in market factors such as interest rates, tradable equity prices, exchange rates and commodity prices. Probable losses vary with the volatility of the underlying variable and the extent of exposures.

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 ▸ Secure long-term fixed rated funding to take advantage of the market rates at the time
		Strike a balance between floating and fixed rated borrowings	▸ Reprice assets and liabilities in accordance with market trends ▸ Constant review of pricing of loans offered
		Maintain an optimal gearing ratio	▸ Identify and maintain the optimum mix of equity and borrowing ▸ Maintain a lower Weighted Average Cost of Capital (WACC)
Equity 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

Risk type	Description	Risk mitigation objectives	Risk mitigation techniques
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 ▸ Identify future transaction cost losses from the predictability of the exchange rate movement
		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 business ▸ Closely monitoring fluctuations in market prices of gold and setting optimum advance levels for pawning

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. Relatively low market interest rates that prevailed in the market created conducive environment during the year under review. However, the market rates experienced a rapid increase subsequent to the financial year end fuelled by the economic crisis and regulatory action taken to stabilise the economic conditions. Nevertheless, repricing and securing new low cost funding when the market interest rates were low, enabled the Company to achieve a net interest margin of 10.16% compared to 8.44% 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. Senkadagala Finance continuously maintains relatively high liquid assets in managing its working capital and this has become a salient strategy in weathering the current crisis.

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 lined up to make use as needed. 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 2022 (%)	As at 31 March 2021 (%)
Government Securities to average deposit liabilities ratio	7.50	18.19	11.25
Liquid assets to fixed deposits and CDs	10.00	34.16	23.01
Liquid assets to savings deposits	15.00	466.18	452.25
Liquid assets to unsecured senior borrowings	10.00	85.87	60.69

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, a 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 avoid 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 set by the Board ▸ Procedures for reviews and control ▸ Whistle-blowing Policy ▸ Fraud response plan

Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
		Minimise external fraud	▸ Dynamic customer screening process ▸ Upgraded information system security ▸ Strong and timely response team ▸ Internal audit ▸ Fraud response plan
		Enhance employment practices and workplace safety	▸ Employee screening policies ▸ Continuous training and development ▸ Update systems, processes, and procedures ▸ Value placement on ethical business conduct
		Develop execution, delivery and process management	▸ Comprehensive operations manual ▸ Ongoing education of the operational staff on changes to market conditions and business processes
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 ▸ Capable and experienced Technology Team
		Improve hardware functionality and eliminate breakdowns	▸ Regular maintenance and upkeep ▸ Co-sourcing suppliers to ensure prompt restoration in system breakdowns

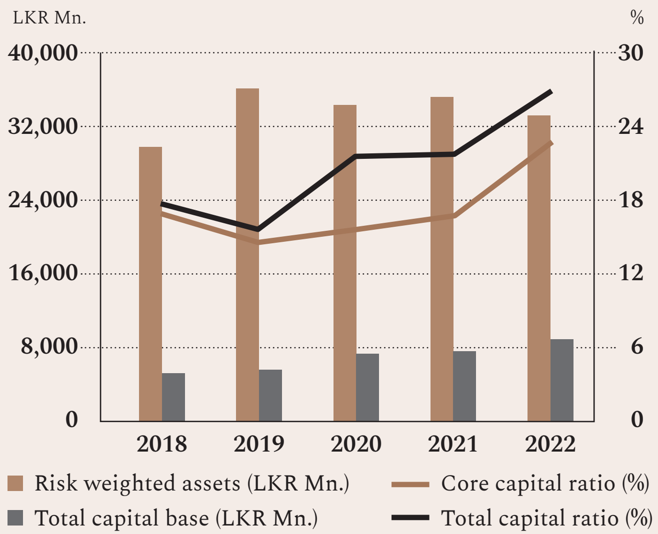
Risk Management

Risk type	Description	Risk mitigation objectives	Steps taken to avoid operational risk
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 and disaster management policies in place ▸ Data backups and cloud servers
		Minimise losses due to damage to physical assets	▸ Comprehensive insurance covers ▸ Regular staff training on workplace safety measures ▸ Following best practices in disaster management at branches (placement of fire extinguishers)
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 ▸ Independent perspective provided by Non-Executive Directors ▸ External expert advice
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 ▸ Fast tracked communication channels to IT and operational departments ▸ Assign responsibility to functional managers ▸ Compliance Register and frequent reports ▸ 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 and honest communication ▸ Proper internal controls ▸ Regulatory compliance ▸ Two way customer relations

Risk Management

The Company maintains healthy capital levels to buffer the impact of operational risk. During the year, two successful rights issues were concluded raising LKR 362.4 Mn. and LKR 474.5 Mn. respectively in April and November 2021. Detailed information on the capital position of the entity is available on pages 60 to 61 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 498 Mn. for operational risk under the Basic Indicator Approach.

Risk Weighted Assets and Capital Position



Glazing serves to colour, decorate and waterproof the ceramic product and is fused to the body through firing, where the ceramic passes through a controlled heat process also known as sintering or densification.

Financial Reports

Annual Report of the Board of Directors of Senkadagala Finance PLC

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements for the year ended 31 March 2022 to the shareholders, which was approved by the Board of Directors on 28 June 2022.

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 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. 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, corporate loans, 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.

The principal line of business of Senfin Asset Management (Pvt) Ltd., a company licensed by the Securities and Exchange Commission of Sri Lanka, is managing unit trust funds and discretionary portfolios.

Senfin Real Estate (Pvt) Ltd. was incorporated on 5 October 2021 as a fully owned subsidiary of Senfin Asset Management with the objective of investing, developing, operating and trading of real estate assets. However, Senfin Real Estate (Pvt) Ltd. did not carry out any business transactions during the financial year under review.

There have been no changes in the principal activities of the Company or of the Group during the financial year other than those disclosed above.

Management and Financial Review of Business

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 08 to 10), the Managing Director/CEO's Review (on pages 11 to 13) and Our Story in 2021/22 (on pages 31 to 61) 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 has 80 branches and 20 service centres island wide. 21 service centres were converted into fully-fledged branches during the year and the balance 20 is expected to be converted in the coming 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 120 to 253.

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.

Annual Report of the Board of Directors of Senkadagala Finance PLC

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 2022 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 2022. The Auditor's Report issued thereon is given on pages 115 to 119 of this Annual Report.

Accounting Policies

The accounting policies adopted in preparing and presenting of these Financial Statements are given on page 129 to 150 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 2022 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 112 of this Report.

Remuneration and other Benefits of Directors

Directors' remunerations in respect of the Company is LKR 30,225,800/- (2021 – LKR 18,550,410/-) and for the Group is LKR 31,875,800/- (2021 – 19,300,410/-) 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 24, on "Related Party Disclosures", in the Financial Statements, and accordingly given in Note 45 on pages 204 to 207 of this Annual Report.

The Directors confirm that the transactions carried out with the related parties during the year ended 31 March 2022 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 90,000/- (2021 – LKR 345,000/-) was paid out by way of donations during the financial year under review.

Income

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

	Company		Group	
	2022 LKR	2021 LKR	**2022 LKR**	2021 LKR
Interest income	**6,020,701,098**	5,978,561,933	**6,021,828,921**	5,979,719,312
Fee and commission income	**59,909,000**	56,147,623	**242,862,671**	241,095,601
Other income	**263,939,208**	307,446,312	**181,520,443**	213,393,375
Total	**6,344,549,306**	6,342,155,868	**6,446,212,035**	6,434,208,288

Further analysis of which is given in Note 4, 5, 7, and 9 to 11 of the Financial Statements on pages 151 to 154 of this Report.

Annual Report of the Board of Directors of Senkadagala Finance PLC

Profit and Appropriations

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

	2022 LKR	2021 LKR
Profit before income taxation	**1,185,646,689**	707,345,054
Income taxation paid	(282,675,480)	(152,599,979)
Profit for the period	**902,971,209**	554,745,075
Other comprehensive income/(loss) net of income tax	**37,283,268**	(6,332,008)
Balance brought forward	**3,906,721,410**	3,388,308,343
Adjustments	-	-
Profit available for appropriation	**3,906,721,410**	3,388,308,343
Appropriated as follows:		
Transfers to statutory reserve fund	**46,000,000**	30,000,000
Dividends paid	**90,076,147**	-
Unappropriated profit carried forward	**4,710,899,740**	3,906,721,410

Dividends

The dividend payout for the year was 9.98% (2021 – 0%). Details on dividend declarations, payments, and the dividend policy are available in shareholder and investor capital on page 52 of this Report.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 37 on page 195 to 196 of this report.

Reserves

The aggregate reserves of the Company as at 31 March 2022 amounted to LKR 7,646 Mn., the aggregate reserves as at 31 March 2021 were LKR 5,959 Mn. Movement in reserves during the year is given in Statement of Changes in Equity on page 124 of this Report.

Capital Expenditure

The total capital expenditure for the year amounted to LKR 113.1 Mn. (2021 – LKR 136.3 Mn.).

Details of property, plant and equipment are available on pages 178 to 185 of this Report. Details relating to the depreciation charge for the year are also available on pages178 and 181.

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 free hold 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 179 and 184 to 185.

Issue of Shares and Debentures

Stated Capital

Senkadagala Finance PLC has in issue 86,279,834 ordinary shares with a book value of LKR 2,424,777,045/- as at 31 March 2022.

During the year under review 13,804,773 new shares were issued by way of two rights issues. The Company made a rights issue of one ordinary share for every fourteen held, at a price of LKR 70/- per share issuing 5,176,790 shares raising LKR 362,375,300/- in April 2021. The second rights issue of one ordinary share for every nine held at an issue price of LKR 55/- per share issuing 8,627,983 shares raising LKR 474,539,065/- in November 2021.

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

Details of the stated capital are given in Note 42 of the Financial Statements on page 202 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 2022 are given in detail in Note 35 of the Financial Statements on page193. Further information on the listed debentures is given on page 59 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 52, under shareholder and investor capital section. The twenty largest shareholders as at 31 March 2022 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 64 and 65 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
- Ms L Fernando
- 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

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

- Mr L Balasuriya
- Dr A Balasuriya
- Ms 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
- Mr D T P Collure (Appointed with effect from 19 May 2021)
- Mr S K Balasuriya (Appointed with effect from 19 May 2021)
- Mr S D Bandaranayake (Appointed with effect from 12 July 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 Continuing Listing Requirements of the CSE. Particulars of independence of Directors are set out on pages 64 and 65 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 Management Committee meetings and Related Party Transactions Review Committee meetings were held during the year at the Registered Office of the Company and virtually. Members of each of these committees have attended the meetings on a regular basis. Details of the members and their attendance are given on pages 64 and 89 of this Report.

Annual Report of the Board of Directors of Senkadagala Finance PLC

Recommended for Re-election

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

Directors' Shareholdings

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

	2022		2021	
	Number of shares	% of holding	Number of shares	% of holding
Dr A Balasuriya and Mr D Balasuriya	2,963,360	3.43	2,086,023	2.88
Dr A Balasuriya and Mr S Balasuriya	2,963,358	3.43	2,086,022	2.88
Mr L Balasuriya and Mr S K Balasuriya	2,963,360	3.43	2,086,023	2.88
Mr L Balasuriya and Ms A S Balasuriya	2,963,358	3.43	2,086,022	2.88
Ms L Fernando and Ms S A Fernando	1,735,089	2.01	1,166,232	1.61
Ms L Fernando and Mr A R Fernando	1,735,088	2.01	1,166,231	1.61
Ms L Fernando and Ms A L Fernando	1,735,088	2.01	1,166,231	1.61
Mr L Balasuriya – The Trustee of the Capitalisation Issue	16	0.00	15	0.00
Mr S D Bandaranayake	-	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	-	0.00	-	0.00

Directors' Interests in Debentures

Details of debentures held by the Directors of the Company are mentioned in Note 45.3.3 on page 207 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

A final dividend of LKR 1.40 per share for the financial year ended 31 March 2022 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 transaction is 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 3,000,000/- (2021 – LKR 2,600,000/-) for the Company and LKR 427,000/- (2021 – LKR 354,316/-) for the subsidiary companies for the period under review. In addition they were paid LKR 1,378,002/- (2021 – LKR 2,917,602/-), for permitted audit related services of the Company and LKR 180,747/- (2021 – LKR 177,593/-) for the subsidiaries respectively. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 07 of 2007.

Annual Report of the Board of Directors of Senkadagala Finance PLC

Amounts pertaining to the audit fee of LKR 3,000,000/- of the Company and LKR 482,259/- of the subsidiaries were payable as at the year end.

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

Risk Management

Information pertaining to material foreseeable risk factors and specific steps taken by the Company in managing such risks are detailed in the risk management section on pages 94 to 105 of this Report.

Corporate Governance

The Board places great emphasis on maintaining effective corporate governance practices, policies, and systems are structured accordingly and reviewed from time to time to enhance transparency and accountability. The report on corporate governance is given on pages 66 to 89 of this 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 seek 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 802 employees as at 31 March 2022 (2021 - 807) and 818 (2021 – 819) 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

L Balasuriya
Chief Executive Officer/Managing Director

S D Bandaranayake
Director/Additional CEO

Corporate Services (Private) Limited
Secretaries

Colombo
28 June 2022

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
28 June 2022

Independent Auditors' Report

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

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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 the Financial Statements

Opinion

We have audited the financial statements of Senkadagala Finance PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2022, 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 120 to 253.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the 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. Allowance for impairment losses of finance lease and hire purchase and loans and receivables from the customers

Refer to Note 2.8.2 (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 2022, net finance lease and hire purchases and other loans and receivables amounted to LKR 22,781 Mn. and LKR 3,321 Mn. respectively which is 67% of the total assets of the Company. Allowance for impairment losses as at 31 March amounted to LKR 1,736 Mn. and LKR 966 Mn. on finance lease and hire purchases and other loans and receivables respectively. The Company uses the expected credit loss (ECL) model to calculate the loss allowance in accordance with SLFRS 9 – Financial Instruments (SLFRS 9). High degree of complexity and judgement are involved in estimating ECL on finance lease and hire purchases and other loans and advances to the customers. 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. Some of these assumptions and inputs are heavily dependent upon the macroeconomic environment, also additional adjustments and overlays are 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. Further, the prevailing uncertain and volatile macroeconomic environment has an impact on the judgements considered in estimating the expected credit loss provision as of the reporting date due to the increase in the credit risk and uncertain macroeconomic assumptions together with varying government responses which 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, system calculation of days past due, non-performing receivable classification and 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 economic factors used in the models to market information to assess whether they were aligned with market and economic development; • 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 challenging whether individual impairment provisions were appropriate.

KPMG

1. Allowance for impairment losses of finance lease and hire purchase and loans and receivables from the customers (Continued)

Risk description	Our response
The loan and lease receivables and ECL allowances are also significant to the Company due to the level of required disclosures set out by the requirements of SLFRS 7 Financial Instruments: Disclosures. Accordingly, allowance for expected credit losses is a key audit matter due to the significance of the value of net investment in lease and hire purchase and other loans and advances balances to these financial statements and the subjectivity and inherent complexity of the Company's ECL models used to measure ECL allowance.	– On a sample basis, testing large customers based on quantitative thresholds and evaluating those large customers where impairment indicators have been identified by Management. • Assessing the adequacy of additional overlay provisions both within the model and outside the model due to the prevailing uncertain and volatile macroeconomic environment and the risk characteristics of the total lease and loan portfolio of the Company. • 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; We worked with our IT audit specific team members to perform audit procedures to assess IT systems and controls over financial reporting, which 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;

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 the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; • 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 Auditor's Report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of 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.

Independent Auditors' Report

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
28 June 2022

Statement of Profit or Loss

For the year ended 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Gross income	4	6,344,549,306	6,342,155,868	6,446,212,035	6,434,208,288
Interest income	5	6,020,701,098	5,978,561,933	6,021,828,921	5,979,719,312
Interest expense	6	(2,430,425,436)	(3,215,269,432)	(2,430,467,299)	(3,212,111,045)
Net interest income		3,590,275,662	2,763,292,501	3,591,361,622	2,767,608,267
Fee and commission income	7	59,909,000	56,147,623	242,862,671	241,095,601
Fee and commission expense	8	(13,626,837)	(11,476,609)	(13,626,837)	(11,476,609)
Net fee and commission income		46,282,163	44,671,014	229,235,834	229,618,992
Net gain from trading	9	87,745,348	46,126,377	88,903,399	46,714,345
Net (loss)/gain from financial instruments designated at fair value through profit or loss	10	(61,556,651)	82,723,932	(61,833,520)	86,951,006
Other operating income	11	237,750,511	178,596,003	154,450,564	79,728,024
Net other operating income		263,939,208	307,446,312	181,520,443	213,393,375
Total operating income		3,900,497,033	3,115,409,827	4,002,117,899	3,210,620,634
Impairment charges and other credit losses	12	(596,679,543)	(496,679,711)	(596,679,543)	(496,679,711)
Net operating income		3,303,817,490	2,618,730,116	3,405,438,356	2,713,940,923
Personnel expenses	13	(787,766,078)	(614,184,290)	(816,658,079)	(631,320,896)
Depreciation expenses		(400,029,740)	(413,915,441)	(409,001,030)	(415,336,630)
Amortisation expenses		(13,496,354)	(12,818,255)	(13,568,558)	(12,841,963)
Other operating expenses	14	(589,501,527)	(628,766,764)	(600,327,758)	(638,377,284)
Operating profit before taxation on financial services		1,513,023,791	949,045,366	1,565,882,931	1,016,064,150
Taxes on financial services	15	(327,377,102)	(241,700,312)	(327,377,102)	(241,700,312)
Profit before income tax		1,185,646,689	707,345,054	1,238,505,829	774,363,838
Income tax expense	16	(282,675,480)	(152,599,979)	(308,879,755)	(184,480,072)
Profit for the year		902,971,209	554,745,075	929,626,074	589,883,766
Basic/Diluted earnings per share	17	10.97	7.20	11.30	7.66

Figures in brackets indicate deductions.

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

Statement of Other Comprehensive Income

For the year ended 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Profit for the year		902,971,209	554,745,075	929,626,074	589,883,766
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit plans	41.2	49,056,932	(8,331,590)	49,281,026	(9,095,745)
Deferred tax effect on actuarial (loss)/gain	37	(11,773,664)	1,999,582	(11,827,446)	2,182,979
Changes in fair value of investments in equity at fair value through other comprehensive income	44	(702,105)	661,351	(702,105)	661,351
Other comprehensive income for the year net of tax		36,581,163	(5,670,657)	36,751,475	(6,251,415)
Total comprehensive income for the year		939,552,372	549,074,418	966,377,549	583,632,351

Figures in brackets indicate deductions.

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

Statement of Financial Position

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Assets					
Cash and cash equivalents	19	627,213,024	606,071,689	664,573,516	647,544,645
Deposits with licensed commercial banks	20	6,789,342,503	4,591,535,045	6,797,594,653	4,591,535,045
Repurchase agreements		1,557,904,480	576,350,591	1,557,904,480	576,350,591
Financial assets held at fair value through profit or loss	21	287,661,234	508,509,464	355,645,146	558,362,192
Financial assets at amortised cost – Finance leases and hire purchases	22	22,780,618,451	24,735,380,314	22,780,618,451	24,735,380,314
Financial assets at amortised cost – Other loans and receivables	23	3,321,278,114	2,826,704,574	3,321,523,114	2,826,979,574
Financial assets measured at fair value through other comprehensive income	24	14,762,768	15,464,873	14,762,768	15,464,873
Financial assets at amortised cost – Other financial instruments	25	1,035,774,578	1,213,462,903	1,035,774,578	1,213,462,903
Investments in subsidiaries	26	328,301,663	328,301,663	–	–
Investment property	27	356,952,871	361,181,620	261,291,359	265,520,108
Property, plant and equipment	28	1,334,764,142	1,535,478,446	1,343,982,403	1,540,620,137
Intangible assets	29	64,030,133	55,119,372	64,578,315	55,409,635
Right-of-use assets	30	361,074,334	409,875,363	374,026,629	409,875,363
Other assets	31	137,728,644	139,952,593	98,611,151	88,097,162
Total assets		38,997,406,939	37,903,388,510	38,670,886,563	37,524,602,542
Liabilities					
Due to banks	32	6,691,396,111	7,143,545,886	6,691,396,111	7,143,545,886
Financial liabilities at amortised cost – Due to depositors	33	10,823,983,380	11,546,422,341	10,782,338,451	11,488,567,645
Financial liabilities at amortised cost – Other borrowings	34	10,447,595,018	9,792,389,529	10,447,595,018	9,792,389,529
Subordinated debentures	35	1,768,547,190	1,768,323,395	1,768,547,190	1,768,323,395
Lease liability	36	357,216,955	377,500,417	372,152,014	377,500,417
Deferred tax liabilities	37	150,572,153	319,294,434	149,430,114	318,583,517
Current tax payable	38	206,362,197	134,333,332	209,737,818	135,946,025
Amounts due to related company	39	282,122,456	282,185,096	–	–
Other liabilities	40	514,919,330	425,034,092	517,703,460	435,680,228
Employee retirement benefits	41	108,920,569	154,978,998	113,524,408	158,819,688
Total liabilities		31,351,635,359	31,944,007,520	31,052,424,584	31,619,356,330

Statement of Financial Position

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Equity					
Stated capital	42	2,424,777,045	1,587,862,680	2,424,777,045	1,587,862,680
Statutory reserve fund	43	506,036,033	460,036,033	510,997,079	464,997,079
Fair value reserve	44	4,058,762	4,760,867	4,058,762	4,760,867
Retained earnings		4,710,899,740	3,906,721,410	4,678,629,093	3,847,625,586
Total equity		7,645,771,580	5,959,380,990	7,618,461,979	5,905,246,212
Total liabilities and equity		38,997,406,939	37,903,388,510	38,670,886,563	37,524,602,542

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
28 June 2022

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 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					
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
Balance as at 1 April 2021	1,587,862,680	460,036,033	4,760,867	3,906,721,410	5,959,380,990
Profit for the year	–	–	–	902,971,209	902,971,209
Other comprehensive income, net of tax	–	–	(702,105)	37,283,268	36,581,163
Total comprehensive income for the year	–	–	(702,105)	940,254,477	939,552,372
Transactions with equity holders recognised directly in equity					
Rights issue of shares	836,914,365	–	–	–	836,914,365
Dividends paid	–	–	–	(90,076,147)	(90,076,147)
Transfers to reserves	–	46,000,000	–	(46,000,000)	–
Total contributions from and distribution to equity holders	836,914,365	46,000,000	–	(136,076,147)	746,838,218
Balance as at 31 March 2022	**2,424,777,045**	**506,036,033**	**4,058,762**	**4,710,899,740**	**7,645,771,580**

Statement of Changes in Equity

	Stated capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Total LKR
Group					
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					
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
Balance as at 1 April 2021	1,587,862,680	464,997,079	4,760,867	3,847,625,586	5,905,246,212
Profit for the year	–	–	–	929,626,074	929,626,074
Other comprehensive income, net of tax	–	–	(702,105)	37,453,580	36,751,475
Total comprehensive income for the year	–	–	(702,105)	967,079,654	966,377,549
Transactions with equity holders recognised directly in equity					
Rights issue of shares	836,914,365	–	–	–	836,914,365
Dividends paid	–	–	–	(90,076,147)	(90,076,147)
Transfers to reserves	–	46,000,000	–	(46,000,000)	–
Total contributions from and distribution to equity holders	836,914,365	46,000,000	–	(136,076,147)	746,838,218
Balance as at 31 March 2022	**2,424,777,045**	**510,997,079**	**4,058,762**	**4,678,629,093**	**7,618,461,979**

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 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Cash flows from operating activities					
Interest and commission receipts		6,148,073,003	6,063,429,750	6,332,154,497	6,249,535,107
Interest payments		(2,333,955,451)	(3,285,015,941)	(2,332,010,697)	(3,281,857,554)
Recoveries of bad debts	12	37,530,572	49,214,572	37,530,572	49,214,572
Other operating income		66,215,277	54,775,262	65,915,330	54,476,127
Operating expenses		(911,183,007)	(965,978,086)	(922,009,238)	(975,244,352)
Rent expenses		(3,722,899)	(6,680,591)	(3,722,899)	(6,874,991)
Cash payments to employees		(766,717,612)	(587,557,605)	(794,376,370)	(603,951,809)
Operating cash flow before changes in operating assets and liabilities (Note A)		2,236,239,883	1,322,187,361	2,383,481,195	1,485,297,100
Changes in operating assets and liabilities					
Net funds received from/(advanced to) customers		752,379,881	(813,040,018)	752,409,881	(813,085,018)
Net deposits from customers		(722,438,961)	323,810,861	(706,229,194)	313,657,090
Deposits with licensed commercial banks		275,995,633	(3,413,827,160)	267,743,482	(3,413,827,160)
Government and other securities		(803,865,564)	343,359,623	(803,865,564)	343,359,623
Other assets		2,223,949	11,227,403	(10,513,989)	26,634,053
Other liabilities		105,268,427	(95,327,036)	97,469,061	(101,040,442)
		(390,436,635)	(3,643,796,327)	(402,986,323)	(3,644,301,854)
Net cash flow from operating activities before taxation		1,845,803,248	(2,321,608,966)	1,980,494,872	(2,159,004,754)
Taxes paid	16 & 38	(406,588,389)	(172,625,637)	(431,514,640)	(199,872,634)
Gratuity paid	41	(18,049,963)	(3,270,963)	(18,295,963)	(3,270,963)
Net cash generated from/(used in) operating activities		1,421,164,896	(2,497,505,566)	1,530,684,269	(2,362,148,351)

Statement of Cash Flows

For the year ended 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Cash flows from investing activities					
Net investment in trading securities		247,036,923	(841,790)	229,786,922	(33,341,790)
Dividends received on investments	11	85,692,871	104,591,627	2,692,871	4,591,627
Purchase of property, plant and equipment	28	(90,781,358)	(114,585,424)	(97,353,071)	(118,021,339)
Purchase of intangible assets	29.1	(22,407,115)	(21,700,000)	(22,737,238)	(22,013,971)
Proceeds from sale of property, plant and equipment		2,112,000	27,917,998	2,112,000	27,917,998
Addition of right-of-use assets	30	(10,085,988)	(29,816,200)	(10,085,988)	(29,816,200)
Net cash generated from/(used in) investing activities		211,567,333	(34,433,789)	104,415,496	(170,683,675)
Cash flows from financing activities					
Proceeds from rights issue	42	836,914,365	–	836,914,365	–
Redemption of debentures	34.2.3	–	(2,413,210,000)	–	(2,413,210,000)
Securitised loans obtained		3,603,700,000	14,453,250,000	3,603,700,000	14,453,250,000
Repayment of loans		(5,965,818,059)	(9,387,762,086)	(5,965,818,059)	(9,387,762,086)
Repayment of lease liability	36	(123,901,873)	(115,811,326)	(130,381,873)	(115,811,326)
Dividends paid		(90,076,147)	–	(90,076,147)	–
Net cash (used in)/generated from financing activities		(1,739,181,714)	2,536,466,588	(1,745,661,714)	2,536,466,588
Net (decrease)/increase in cash and cash equivalents		(106,449,485)	4,527,233	(110,561,949)	3,634,562
Cash and cash equivalents at the beginning of the year		526,127,809	521,600,576	567,600,765	563,966,203
Cash and cash equivalents at the end of the year		419,678,324	526,127,809	457,038,816	567,600,765
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	19	627,271,907	606,081,883	664,632,399	647,554,839
Bank overdrafts	32	(207,593,583)	(79,954,074)	(207,593,583)	(79,954,074)
		419,678,324	526,127,809	457,038,816	567,600,765

Statement of Cash Flows

		Company		Group	
For the year ended 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Note A					
Reconciliation of operating profit					
Profit before income tax		1,185,646,689	707,345,054	1,238,505,829	774,363,838
Depreciation and amortisation		413,526,094	426,733,696	422,569,588	428,178,593
Dividend receipts on investments	11	(85,692,871)	(104,591,627)	(2,692,871)	(4,591,627)
Profit on disposal of fixed assets		(1,510,127)	(14,923,334)	(1,510,127)	(14,923,334)
Provision for defined benefit plan	41.1	21,048,466	26,626,685	22,281,709	27,369,087
Impairment charge on financial assets		591,416,175	455,614,002	591,416,175	455,614,002
Loan losses and write-offs	12	61,099,644	–	61,099,644	–
Gain from auction of pawned articles	12	(2,706,144)	(434,711)	(2,706,144)	(434,711)
Net gain from financial instruments designated at FVTPL	10	61,556,651	(82,723,932)	61,833,520	(86,951,006)
Net gain from trading	9	(87,745,348)	(46,126,377)	(88,903,399)	(46,714,345)
Gain from foreign currency conversion		(84,332,236)	(4,305,780)	(84,332,236)	(4,305,780)
Interest expense on lease liabilities	36	57,598,226	58,716,407	59,584,843	58,716,407
Accrued interest on loans and advances		67,462,905	28,720,194	67,462,905	28,720,194
Accrued interest on borrowings		38,647,964	9,533,120	38,647,964	9,533,120
Accrued interest on debentures		223,795	(137,996,036)	223,795	(137,996,036)
Writing off of tax payables		–	–	–	(1,431,156)
Writing off of withholding tax		–	–	–	149,854
		2,236,239,883	1,322,187,361	2,383,481,195	1,485,297,100

Figures in brackets indicate deductions.

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

Notes to the Financial Statements

1. Corporate Information

1.1 Domicile and legal form

Senkadagala Finance PLC is a public limited liability Company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29 December 1968 and registered under the Finance Company Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007 on 14 November 2011. The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 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	802	(31 March 2021 – 807)
Group	818	(31 March 2021 – 819)

1.3 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 percent 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 percent equity stake of Newest Capital Limited under the consolidation programme implemented by the Central Bank of Sri Lanka. The principal activity of the Company was finance leasing business. However, Newest Capital Limited 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 percent 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.
- **Senfin Real Estate Private Limited**
  Senfin Real Estate is a fully owned subsidiary of Senfin Asset Management which was incorporated on 5 October 2021. The primary activities of the business are to facilitate selling, buying, and renting properties. Moreover, the Company does not have any ongoing operations.

1.4 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 which holds 100% of the ownership of the Company.

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 Consolidated Financial Statements

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31 March 2022 comprise those of the Company (parent Company) and its subsidiaries (together referred to as the "Group").

2.2.1 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 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 28 June 2022.

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 120).
- A Statement of Other Comprehensive Income providing the other comprehensive income of the Company and Group for the year under review. (Refer page 121).
- 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 122 to 123).
- 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 124 to 125).
- 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 126 to 128).
- Notes to the Financial Statements comprising accounting policies used by the Company and the Group. (Refer pages 129 to 253).

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 48. 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 year in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter year 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.

Expected credit loss assessment due to COVID-19 and macro-economic turbulence

The Company has adjusted Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment to assess the expected credit losses as at 31 March 2022 due to uncertainties and lack of sufficient information available to make any adjustments to factor the impact of COVID-19 and adverse macro-economic condition. However, the Company has increased the weightage assigned to worst case scenario as at 31 March 2022 to capture potential impact of COVID-19 and macro-economic turbulence.

2.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted pricing in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between levels of hierarchy during the year.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building. 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 Note 51A and 51B - Financial instruments.

2.8.1 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.

2.8.2 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 lease and hire purchases, 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 Life Time Expected Credit Loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, 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 macro-economic 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.

2.8.3 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.

2.8.4 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:

2.8.5 Uncertainty of Estimates in preparation of Financial Statements due to the implications of current economic conditions

The current economic conditions have increased the uncertainty of estimates made in preparation of the Financial Statements. The uncertainty is associated with the expected economic downturn due to import restrictions imposed on vehicles, shortage of foreign currency for imports, exposure to interest rate increases and forex rate increases, reduced demand for products as a result of necessitated price increases, and power interruptions and fuel shortages affecting business operations.

These uncertainties, the directions, consequences, and outcomes of which are difficult to predict may impact management judgments and estimates exercised in the assessment of expected credit losses from credit portfolios and recoverable amounts of non-financial assets.

Judgments relevant to the assessment of expected credit losses and recoverable amounts of non-financial assets are further discussed in Note 3.3.11 and 2.8.3 to these Financial Statements.

2.8.6 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, strength and business plans 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 for the year ended 31 March 2022 continue to be prepared on the going concern basis.

In making this assessment, management has considered the potential negative impact that the current economic conditions could bring to the business operations of the Group. In doing so Management has prepared estimates of performance and the forecasted liquidity based on the likely, worst and the best case scenarios by considering available information and economic forecasts and the available resources and assets at the disposal of the Group.

2.8.7 Defined benefit obligation

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

2.8.8 Useful life of property, plant & 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.

2.9.1 Interest Rate Benchmark Reform (Phase 2) - IBOR reform (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 09, LKAS 39, SLFRS 07, SLFRS 04 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients.

Amendments became effective on 1 January 2021 and the entity has no other transactions that are affected by newly effective requirements.

2.10 Accounting for moratorium

Since March 2020 Based on the guidelines issued by the Central Bank of Sri Lanka and Company's own initiatives various forms of assistance to customers including debt moratorium were granted. Related adjustments were made in the financial statements in accordance with SLFRS 9 and SLFRS 16.

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 effective interest rate, the Company records a Day one loss which have been netted off under the interest income. Accordingly, Day one loss of LKR 4.04 Mn. recognised during the year ended 31 March 2022 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 effective interest rate 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.

2.11 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 SLFRS16, if the changes 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. 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 2022. 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 "amounts" by which the no 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 Notes 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 effective interest rate, 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

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 effective interest rate 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 Statement of Other Comprehensive Income. Effective interest rate 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 2022.

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 Statement of Other Comprehensive Income is recognised in Statement of Profit or Loss. However, cumulative gain/loss recognised in Statement of Other Comprehensive Income 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.

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.

If significant part of an item of property plant and equipment have different useful lives, then they are accounted for as separated items (Major Components) of property plant and equipment.

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.

3.8.2 Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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 re-measurements 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 sub-lease separately. It assesses the lease classification of a sub-lease 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 sub-lease 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 2022, 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	14% p.a.
Basic salary increase for all grades	5.0% p.a.
Retirement age	60 years

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gain or loss on the settlement of a defined benefit plan when the settlement occurs.

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.

The Group has determined that interest & penalties related to income taxes, including uncertain tax treatment do not meet the definition of income taxes, and therefore accounted for then under LKAS 37 provisions, contingent liabilities & contingent assets.

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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets of liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;
- Temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future: and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised: such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For the purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.13.3 Value Added Tax on financial services

VAT on financial service is calculated in accordance with Value Added Tax (VAT) 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.

The Value Added Tax (Amendment) Act No 13 of 2022 (VAT Amending Act) was certified by the Speaker on 31 March 2022 and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka of 1 April 2022. Accordingly, the rate of VAT on the supply of financial services is revised to 18% from 1 January 2022. Previously the rate of VAT on the supply of financial services was 15%.

3.14 Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effective 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 Ministers, Departments and Local Governments.

c. Deposit liabilities to directors, key management personnel and other related parties as defined by the Finance Companies Act (Corporate Governance) Direction No. 03 of 2008.

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

e. Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central 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 comprise 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 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". (Note 45).

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 Statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in Note 47 where necessary.

3.18 Earnings per Share (EPS)

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 in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date given in Note 48.

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 2021, 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 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.

3.22.2 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).

Amendments to "Property, Plant & Equipment" (LKAS 16): Proceeds before Intended Use on 25 March 2021 CA Sri Lanka issued amendments to "Property, Plant and Equipment" (LKAS 16) – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after

1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Group does not expect this will result in a material impact on its Financial Statements.

3.22.3 Business Combinations – Updating a Reference to Conceptual Framework (Amendments to SLFRS 3)

On 23 March 2021 CA Sri Lanka issued amendments to "Business Combinations" (SLFRS 3) – Updating a Reference to the "Conceptual Framework for Financial Reporting". The amendments are intended to replace a reference to the framework for the preparation and presentation of Financial Statements, issued in 1989, with a reference to the "Conceptual Framework for Financial Reporting" issued in March 2018 without significantly changing its requirements. An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential "Day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendment is not expected to have a material impact on the Group's Financial Statements.

3.22.4 First-time Adoption of Sri Lanka Financial Reporting Standards (Amendments to SLFRS 1)

As part of its 2018-2020 annual improvements to SLFRS standards process, CA Sri Lanka issued an amendment to "First-time Adoption of International Financial Reporting Standards" (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16 (a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of SLFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

3.22.5 Fees in the "10 per cent" test for Derecognition of Financial Liabilities (Amendments to SLFRS 9)

As part of its 2018-2020 annual improvements to SLFRS standards process, the CA Sri Lanka issued an amendment to "Financial Instruments" (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its Financial Statements.

3.22.6 Other Standards

- Deferred tax related to assets: Liabilities arising from a single transaction (Amendments to LKAS 12)
- Classification of liabilities as current or non-current (Amendments to LKAS 1)
- Disclosure of accounting policies (Amendments to LKAS 1)
- Definition of accounting estimates (Amendments to LKAS 8)

4. Gross Income

For the year ended 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Interest income	5	**6,020,701,098**	5,978,561,933	**6,021,828,921**	5,979,719,312
Fee and commission income	7	**59,909,000**	56,147,623	**242,862,671**	241,095,601
Net gain from trading	9	**87,745,348**	46,126,377	**88,903,399**	46,714,345
Net (loss)/gain from financial instruments designated at fair value through profit or loss	10	**(61,556,651)**	82,723,932	**(61,833,520)**	86,951,006
Other operating income	11	**237,750,511**	178,596,003	**154,450,564**	79,728,024
		6,344,549,306	6,342,155,868	**6,446,212,035**	6,434,208,288

5. Interest Income

For the year ended 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Cash and short-term funds		**12,713,271**	16,980,136	**13,681,494**	18,137,515
Fixed deposits		**282,763,053**	214,975,103	**282,763,053**	214,975,103
Repurchase agreements		**34,371,897**	43,392,488	**34,531,497**	43,392,488
Financial assets at amortised cost					
– Finance leases and hire purchases		**4,356,660,258**	4,796,742,919	**4,356,660,258**	4,796,742,919
– Commercial loans	5.1	**161,168,174**	117,412,580	**161,168,174**	117,412,580
– Personal loans		**38,008,485**	32,561,546	**38,008,485**	32,561,546
– Pawning advances		**231,820,960**	238,529,007	**231,820,960**	238,529,007
– Fixed deposit loans		**6,133,604**	11,414,417	**6,133,604**	11,414,417
– Other financial instruments		**59,965,912**	98,634,042	**59,965,912**	98,634,042
– Short-term corporate loan		**7,779,867**	–	**7,779,867**	–
Interest on delayed insurance premium		**98,698,257**	84,045,327	**98,698,257**	84,045,327
Interest on overdue rentals		**730,617,360**	323,874,368	**730,617,360**	323,874,368
		6,020,701,098	5,978,561,933	**6,021,828,921**	5,979,719,312

Notes to the Financial Statements

5.1 Interest income from commercial loans includes LKR 4.04 Mn. (2021 – 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	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Due to banks	493,423,922	612,326,245	493,423,922	612,326,245
Financial liabilities at amortised cost				
– Due to depositors	904,760,450	1,076,411,207	902,815,696	1,073,252,820
– Other borrowings	744,639,812	1,035,753,560	744,639,812	1,035,753,560
– Commercial paper	4,466,732	4,283,159	4,466,732	4,283,159
Debt securities issued	-	202,268,837	-	202,268,837
Subordinated debenture	225,536,294	225,510,017	225,536,294	225,510,017
Interest expenses on lease liability	57,598,226	58,716,407	59,584,843	58,716,407
	2,430,425,436	3,215,269,432	2,430,467,299	3,212,111,045

7. Fee and Commission Income

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Finance charges	38,909,336	37,559,343	38,909,336	37,559,343
Loan protection fee	11,717,118	12,077,330	11,717,118	12,077,330
Commission income	25,051	65,380	182,978,722	185,013,358
Legal and inspection fee	9,257,495	6,445,570	9,257,495	6,445,570
	59,909,000	56,147,623	242,862,671	241,095,601

8. Fee and Commission Expense

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Commission paid	60,000	1,030,000	60,000	1,030,000
Other	13,566,837	10,446,609	13,566,837	10,446,609
	13,626,837	11,476,609	13,626,837	11,476,609

9. Net Gain from Trading

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Equities and unit trust investment	87,745,348	46,126,377	88,903,399	46,714,345
	87,745,348	46,126,377	88,903,399	46,714,345

10. Net (Loss)/Gain from Financial Instruments Designated at Fair Value through Profit or Loss

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Financial assets designated at fair value through profit or loss	(61,556,651)	82,723,932	(61,833,520)	86,951,006
	(61,556,651)	82,723,932	(61,833,520)	86,951,006

11. Other Operating Income

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Dividend income	85,692,871	104,591,627	2,692,871	4,591,627
Profit on disposal of fixed assets	1,510,127	14,923,334	1,510,127	14,923,334
Rent income	28,296,610	21,924,362	27,996,610	21,624,362
Other income	37,900,002	32,833,985	37,900,055	34,265,141
Income from trading foreign currency	18,665	16,915	18,665	17,780
Net gain from foreign currency conversion	84,332,236	4,305,780	84,332,236	4,305,780
	237,750,511	178,596,003	154,450,564	79,728,024

12. Impairment Charges and Other Credit Losses

		Company		Group	
For the year ended 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Impairment charge/(reversal) on individual impairment					
– Finance leases and hire purchases	22.3	182,386,845	59,054,163	182,386,845	59,054,163
– Commercial loans	23.1.1	53,538,687	(231,771)	53,538,687	(231,771)
– Other advance	23.4.1	(1,906,394)	–	(1,906,394)	–
		234,019,138	58,822,392	234,019,138	58,822,392
Expected credit losses/(reversal) on collective impairment					
– Cash and cash equivalents	19.1	48,689	(46,423)	48,689	(46,423)
– Deposits with licensed commercial banks	20.1	9,415,448	(19,235)	9,415,448	(19,235)
– Finance leases and hire purchases	22.4	57,444,201	284,025,685	57,444,201	284,025,685
– Commercial loans	23.1.2	237,727,727	127,905,933	237,727,727	127,905,933
– Personal loans	23.2	964,275	–	964,275	–
– Pawning advances	23.3.1	201,757	(2,126,805)	201,757	(2,126,805)
– Other advances	23.4.2	51,594,940	(12,947,545)	51,594,940	(12,947,545)
		357,397,037	396,791,610	357,397,037	396,791,610
Direct write-offs		61,099,644	–	61,099,644	–
Net (gain)/loss on sale of repossessed assets		(15,599,560)	90,714,992	(15,599,560)	90,714,992
Gain from auction of pawned articles		(2,706,144)	(434,711)	(2,706,144)	(434,711)
Recovery of loans previously written-off		(37,530,572)	(49,214,572)	(37,530,572)	(49,214,572)
		596,679,543	496,679,711	596,679,543	496,679,711

The Company wrote off LKR 99,363,161/- which includes insurance receivable provision written off of LKR 38,263,517/- as the Company believes that there is no reasonable expectation of recovering a financial asset in its entirely or partly thereof.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Groups' procedures for recoveries of amounts previously written off are recognised when cash is received and are included in impairment charges and other credit losses in the statement of profit or loss.

Notes to the Financial Statements

13. Personnel Expenses

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Salaries and wages	500,727,750	486,082,757	521,972,250	499,574,834
Directors' emoluments	30,225,800	18,550,410	31,875,800	19,300,410
Employer's contribution to Employees' Provident Fund	60,491,667	59,023,310	62,998,595	60,665,133
Employer's contribution to Employees' Trust Fund	15,122,917	14,755,827	15,749,649	15,166,283
Contribution for defined benefit plan	21,048,466	26,626,685	22,281,709	27,369,087
Performance incentives	154,933,137	–	156,307,113	–
Other personnel expenses	5,216,341	9,145,301	5,472,963	9,245,149
	787,766,078	614,184,290	816,658,079	631,320,896

14. Other Operating Expenses

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
External Auditors' remuneration				
– Audit fee and expenses	3,000,000	2,600,000	3,427,000	2,954,316
– Audit-related services	1,378,002	2,917,602	1,558,749	3,095,195
Internal Auditors' remuneration	5,510,214	5,835,014	5,510,214	5,835,014
Legal expenses	2,838,827	9,316,120	2,838,827	9,316,120
Contribution to deposit insurance scheme of CBSL	15,349,992	13,962,420	15,349,992	13,962,420
Other administrative expenses	149,552,850	117,179,933	152,423,937	120,404,166
Establishment expenses	365,833,682	358,339,179	370,953,248	362,192,741
Selling expenses	46,037,960	118,616,496	48,265,791	120,617,312
	589,501,527	628,766,764	600,327,758	638,377,284

15. Taxes on Financial Services

For the year ended 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Value added tax	327,377,102	220,091,169	327,377,102	220,091,169
Nation building tax	–	3,440,229	–	3,440,229
Debt Repayment Levy (DRL)	–	18,168,914	–	18,168,914
	327,377,102	241,700,312	327,377,102	241,700,312

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 1 December 2019 and 1 January 2020.

16. Income Tax Expense

For the year ended 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Current tax expense					
Current income tax charge	16.1	429,627,528	179,255,327	456,136,107	211,429,862
Under provision in respect of previous year		–	10,909,166	180,600	10,909,166
Income tax assessment		33,543,897	43,512,509	33,543,897	43,512,509
		463,171,425	233,677,002	489,860,604	265,851,537
Deferred tax expense					
Reversal of temporary differences		(180,495,945)	(81,077,023)	(180,980,849)	(81,371,465)
		282,675,480	152,599,979	308,879,755	184,480,072

16.1 Reconciliation to the current income tax charge

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Net profit before tax	1,185,646,689	707,345,054	1,238,505,829	774,363,838
Adjustments				
Exempt income	(640,104,614)	(649,234,984)	(639,827,745)	(582,395,581)
Disallowable expenses	2,137,791,121	1,265,264,061	2,143,317,754	1,266,817,510
Allowable expenses	(857,513,130)	(533,577,686)	(859,939,026)	(534,928,759)
Taxable income	1,825,820,066	789,796,445	1,882,056,812	923,857,008
Income tax on profit for the year	429,627,528	179,255,327	456,136,107	211,429,862
Effective tax rate (%)	36.24	25.34	36.83	27.30

The amount of current tax payable is the best estimate of the tax amount expected to be paid and, it is measured using tax rates enacted at the reporting date. Recognised income tax on profit is 24% on business income and 14% on other income.

17. Earnings Per Share

17.1 Basic/diluted 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. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

		Company		Group	
For the year ended 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Profit attributable to ordinary shareholders of the Company		902,971,209	554,745,075	929,626,074	589,883,766
Weighted average number of ordinary shares	17.4	82,287,954	77,030,636	82,287,954	77,030,636
Basic/diluted earnings per ordinary share		10.97	7.20	11.30	7.66

17.2 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2022 and there have been no transaction involving ordinary shares or partial ordinary shares as at the reporting date which would require a restatement of EPS.

17.3 Restated earnings per share

As per LKAS 33 – "Earnings per Share" EPS of the comparative period (2020/21) has been restated considering the effect of rights issue. (Refer to Note 42.1 issue of rights issue)

17.4 Weighted average number of ordinary shares

	Company		Group	
For the year ended 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Number of shares held as at 1 April as per stated capital	77,030,636	72,475,061	77,030,636	72,475,061
Weighted average effect of number of shares issued due to the Rights Issue	5,257,318	–	5,257,318	–
Bonus element due to Rights Issue to existing shareholders	–	4,555,575	–	4,555,575
Weighted average number of shares held as at 31 March used as the denominator for EPS	82,287,954	77,030,636	82,287,954	77,030,636

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	2022 LKR	2021 LKR
Final dividend paid (2020/21 – Rs.1.16, 2019/20 Rs. Nil)	90,076,147	–
Gross dividend paid to ordinary shareholders	90,076,147	–
Gross dividend per share (Rs.)	1.16	–

19. Cash and Cash Equivalents

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Cash in hand held in local currency		132,772,363	119,529,555	132,806,660	119,584,555
Cash in hand held in foreign currency		79,429	73,841	91,058	85,470
Balances with licensed commercial banks		494,420,115	486,478,487	531,734,681	527,884,814
Gross cash and cash equivalents*		627,271,907	606,081,883	664,632,399	647,554,839
Less: Allowance for impairment losses	19.1	(58,883)	(10,194)	(58,883)	(10,194)
Net cash and cash equivalents		627,213,024	606,071,689	664,573,516	647,544,645

19.1 Movement in allowance for collective impairment

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Balance at the beginning of the year	10,194	56,617	10,194	56,617
Charge/(Reversal) for the year	48,689	(46,423)	48,689	(46,423)
Balance at the end of the year	58,883	10,194	58,883	10,194

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

20. Deposits with Licensed Commercial Banks

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Fixed deposits		6,798,854,270	4,591,631,364	6,807,106,420	4,591,631,364
Allowance for impairment losses	20.1	(9,511,767)	(96,319)	(9,511,767)	(96,319)
Net deposits with licensed commercial banks		6,789,342,503	4,591,535,045	6,797,594,653	4,591,535,045

20.1 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	96,319	115,554	96,319	115,554
Charge/(Reversal) for the year	9,415,448	(19,235)	9,415,448	(19,235)
Balance at the end of the year	9,511,767	96,319	9,511,767	96,319

21. Financial Assets Held at Fair Value through Profit or Loss

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Quoted equity	21.1	53,068,592	79,178,617	53,068,592	79,178,617
Unquoted unit trust	21.2	234,592,642	429,330,847	302,576,554	479,183,575
		287,661,234	508,509,464	355,645,146	558,362,192

Notes to the Financial Statements

21.1 Quoted equity

		Company						Group					
As at 31 March		2022			2021			2022			2021		
	Note	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
Bank, Finance and Insurance													
Central Finance Company PLC		48,528	335,812	3,304,757	47,817	335,812	3,873,177	48,528	335,812	3,304,757	47,817	335,812	3,873,177
National Development Bank PLC		792	8,536	44,114	792	8,536	52,430	792	8,536	44,114	792	8,536	52,430
Commercial Bank of Ceylon PLC		5,088	469,342	319,018	4,975	469,342	291,038	5,088	469,342	319,018	4,975	469,342	291,038
Beverage, Food and Tobacco													
Ceylon Tobacco PLC		3,100	142,017	1,786,375	3,100	142,017	3,100,000	3,100	142,017	1,786,375	3,100	142,017	3,100,000
Hotels and Travels													
Aitken Spence PLC		495	3,355	36,482	495	3,355	15,197	495	3,355	36,482	495	3,355	15,197
Manufacturing													
Royal Ceramics Lanka PLC		200	273	8,140	20	273	1,118	200	273	8,140	20	273	1,118
Diversified Holdings													
Hayleys PLC		1,130	7,175	86,897	1,130	7,175	139,668	1,130	7,175	86,897	1,130	7,175	139,668
John Keells Holdings PLC		4,462	164,976	646,990	4,462	164,976	514,915	4,462	164,976	646,990	4,462	164,976	514,915
Trading													
Lanka Indian Oil Corporation PLC		5,500	148,500	169,400	5,500	148,500	86,900	5,500	148,500	169,400	5,500	148,500	86,900
Portfolio Investment	21.1.1		36,718,653	46,666,419		50,510,288	71,104,174		36,718,653	46,666,419		50,510,288	71,104,174
			37,998,639	53,068,592		51,790,274	79,178,617		37,998,639	53,068,592		51,790,274	79,178,617

21.1.1 Portfolio investment

	Company						Group					
As at 31 March	2022			2021			2022			2021		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
Bank, Finance and Insurance												
Capital Alliance PLC	12,900	129,000	122,550	–	–	–	12,900	129,000	122,550	–	–	–
Ceylinco Insurance PLC (non-voting)	10,000	1,560,322	12,095,000	10,000	1,560,322	11,000,000	10,000	1,560,322	12,095,000	10,000	1,560,322	11,000,000
Commercial Bank of Ceylon PLC	72	4,722	4,514	71	4,722	6,071	72	4,722	4,514	71	4,722	6,071
Lanka Ventures PLC	61,800	2,552,579	2,781,000	61,800	2,552,579	3,003,480	61,800	2,552,579	2,781,000	61,800	2,552,579	3,003,480
Seylan Bank PLC (non-voting)	54,339	2,241,315	1,347,607	52,403	2,241,315	2,263,810	54,339	2,241,315	1,347,607	52,403	2,241,315	2,263,810
Hatton National Bank PLC (non-voting)	31,938	5,348,184	3,353,490	30,908	5,437,291	3,004,258	31,938	5,348,184	3,353,490	30,908	5,437,291	3,004,258
People's Insurance Ltd.	–	–	–	100,000	1,508,032	3,060,000	–	–	–	100,000	1,508,032	3,060,000
Beverage, Food and Tobacco												
Lanka Milk Foods (CWE) PLC	40,215	4,032,213	5,338,541	40,215	4,032,213	6,042,304	40,215	4,032,213	5,338,541	40,215	4,032,213	6,042,304
Ceylon Beverage Holdings PLC	2,321	1,936,261	1,640,367	2,321	1,936,261	1,809,800	2,321	1,936,261	1,640,367	2,321	1,936,261	1,809,800
Chemicals and Pharmaceuticals												
CIC Holdings PLC (non-voting)	35,000	371,901	875,000	60,000	637,438	2,544,000	35,000	371,901	875,000	60,000	637,438	2,544,000
Haycarb PLC	20,000	350,437	1,004,000	76,000	1,331,662	7,068,000	20,000	350,437	1,004,000	76,000	1,331,662	7,068,000
Plantation												
Kelani Valley Plantations PLC	–	–	–	30,000	1,293,005	1,125,000	–	–	–	30,000	1,293,005	1,125,000
Healthcare												
Ceylon Hospitals PLC (non-voting)	43,838	1,609,492	3,603,484	43,838	1,609,492	3,905,966	43,838	1,609,492	3,603,484	43,838	1,609,492	3,905,966
Ceylon Hospitals PLC (Voting)	5,992	545,320	626,164	5,992	545,320	606,690	5,992	545,320	626,164	5,992	545,320	606,690

Notes to the Financial Statements

21.1.1 Portfolio investment (Continued)

As at 31 March	Company						Group					
	2022			2021			2022			2021		
	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR	Number of shares	Cost LKR	Market value LKR
Hotels and Travels												
Taj Lanka Hotels PLC	114,432	3,478,514	1,510,502	114,432	3,478,514	1,407,514	114,432	3,478,514	1,510,502	114,432	3,478,514	1,407,514
John Keells Hotels PLC	251,000	3,197,111	2,936,700	251,000	3,197,111	2,384,500	251,000	3,197,111	2,936,700	251,000	3,197,111	2,384,500
Investment Trusts												
Renuka Holdings PLC (non-voting)	100,000	2,199,708	1,150,000	100,000	2,199,708	1,140,000	100,000	2,199,708	1,150,000	100,000	2,199,708	1,140,000
Manufacturing												
Ceylon Grain Elevators PLC	–	–	–	70,000	4,653,439	8,260,000	–	–	–	70,000	4,653,439	8,260,000
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	1,275,000	150,000	1,061,760	1,455,000	150,000	1,061,760	1,275,000	150,000	1,061,760	1,455,000
Diversified Holdings												
CT Holdings PLC	5,500	909,830	833,250	5,500	909,830	935,000	5,500	909,830	833,250	5,500	909,830	935,000
Aitken Spence PLC	52,500	2,495,136	3,869,250	52,500	2,495,136	2,913,750	52,500	2,495,136	3,869,250	52,500	2,495,136	2,913,750
Telecommunications												
Dialog Axiata PLC	230,000	2,694,848	2,300,000	230,000	2,694,848	2,990,000	230,000	2,694,848	2,300,000	230,000	2,694,848	2,990,000
		36,718,653	46,666,419		50,510,288	71,104,174		36,718,653	46,666,419		50,510,288	71,104,174

21.2 Unquoted unit trust

	Company						Group					
As at 31 March	2022			2021			2022			2021		
	Number of Units	Cost LKR	Market value LKR	Number of Units	Cost LKR	Market value LKR	Number of Units	Cost LKR	Market value LKR	Number of Units	Cost LKR	Market value LKR
National Equity Fund	205,559	1,921,491	6,682,059	205,559	1,921,491	6,587,563	205,559	1,921,491	6,682,059	205,559	1,921,491	6,587,563
Guardian Acuity Equity Fund	1,247,839	21,037,574	20,673,078	1,247,839	21,037,574	22,543,714	1,247,839	21,037,574	20,673,078	1,247,839	21,037,574	22,543,714
Guardian Acuity Money Market Fund	–	–	–	2,060,512	37,340,876	42,137,478	–	–	–	2,060,512	37,340,876	42,137,478
Capital Alliance High Yield Fund	–	–	–	640,188	11,881,066	15,819,697	–	–	–	640,188	11,881,066	15,819,697
Senfin Money Market Fund	–	–	–	14,179,872	200,000,000	215,575,170	2,818,777	40,809,997	45,779,472	16,569,952	232,651,947	251,911,325
Senfin Growth Fund	25,427,199	191,222,000	205,197,492	14,626,700	90,000,000	126,667,225	27,504,638	207,559,970	221,962,432	15,605,473	96,087,968	135,143,398
Senfin Dividend Fund	242,009	2,500,000	2,040,013	–	–	–	242,009	2,500,000	2,040,013	–	–	–
Senfin Dynamic Income Fund	–	–	–	–	–	–	500,000	5,000,000	5,439,500	500,000	5,000,000	5,040,400
		216,681,065	234,592,642		362,181,007	429,330,847		278,829,032	302,576,554		405,920,922	479,183,575

22. Financial Assets at Amortised Cost – Finance Leases and Hire Purchases

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Net investment in finance leases	22.1	24,474,303,110	26,125,695,809	24,474,303,110	26,125,695,809
Net investment in hire purchases	22.2	42,441,643	43,486,563	42,441,643	43,486,563
		24,516,744,753	26,169,182,372	24,516,744,753	26,169,182,372
Impairment losses					
Provision for individual impairment	22.3	(308,831,223)	(126,444,378)	(308,831,223)	(126,444,378)
Provision for collective impairment	22.4	(1,427,295,079)	(1,307,357,680)	(1,427,295,079)	(1,307,357,680)
Net investment after impairment		22,780,618,451	24,735,380,314	22,780,618,451	24,735,380,314

Notes to the Financial Statements

22.1 Finance leases

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Gross investment in leases receivable within one year	10,256,810,380	11,894,545,500	10,256,810,380	11,894,545,500
Gross investment in leases receivable between one and five years	17,046,584,920	17,955,219,441	17,046,584,920	17,955,219,441
Gross investment in leases receivable in respect of non-performing leases	1,498,356,751	882,190,612	1,498,356,751	882,190,612
Finance leases granted to tourism industry non-performing	20,890,447	21,091,357	20,890,447	21,091,357
Repossessed lease receivable	179,356,102	371,291,107	179,356,102	371,291,107
Leases receivable in arrears	1,118,339,126	1,295,858,909	1,118,339,126	1,295,858,909
	30,120,337,726	32,420,196,926	30,120,337,726	32,420,196,926
Unearned lease income	(5,486,990,886)	(6,061,709,112)	(5,486,990,886)	(6,061,709,112)
Initial lease rental	(1,904,949)	(2,878,927)	(1,904,949)	(2,878,927)
Prepaid lease rentals	(157,138,781)	(229,913,078)	(157,138,781)	(229,913,078)
Net investment in finance leases	24,474,303,110	26,125,695,809	24,474,303,110	26,125,695,809

22.2 Hire purchases

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Gross investment in hire purchase receivables in respect of non-performing hire purchases	28,504,173	28,883,505	28,504,173	28,883,505
Repossessed hire purchase receivable	13,937,470	14,603,058	13,937,470	14,603,058
Net investment in hire purchase	42,441,643	43,486,563	42,441,643	43,486,563
Net investment in finance lease and hire purchase	24,516,744,753	26,169,182,372	24,516,744,753	26,169,182,372

22.3 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	**126,444,378**	67,390,215	**126,444,378**	67,390,215
Charge for the year	**182,386,845**	59,054,163	**182,386,845**	59,054,163
Balance at the end of the year	**308,831,223**	126,444,378	**308,831,223**	126,444,378
Gross amount of loans individually determined to be impaired	**369,487,362**	279,039,069	**369,487,362**	279,039,069

22.4 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	**1,307,357,680**	974,746,688	**1,307,357,680**	974,746,688
Charge for the year	**57,444,201**	284,025,685	**57,444,201**	284,025,685
Interest income accrued on impaired finance leases and hire purchases	**62,493,198**	48,585,307	**62,493,198**	48,585,307
Balance at the end of the year	**1,427,295,079**	1,307,357,680	**1,427,295,079**	1,307,357,680
Total of individual and collective impairment	**1,736,126,302**	1,433,802,058	**1,736,126,302**	1,433,802,058

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

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Net investment in finance leases and hire purchases 31 March 2022	**14,720,527,866**	**6,931,454,677**	**2,864,762,210**	**24,516,744,753**
Allowance for collective impairment	**(255,685,057)**	**(484,543,744)**	**(687,066,278)**	**(1,427,295,079)**
Allowance for individual impairment	**–**	**–**	**(308,831,223)**	**(308,831,223)**
	14,464,842,809	**6,446,910,933**	**1,868,864,709**	**22,780,618,451**
Net investment in 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

23. Financial Assets at Amortised Cost – Other Loans and Receivables

		Company		Group	
As at 31 March	Note	**2022 LKR**	2021 LKR	**2022 LKR**	2021 LKR
Commercial loans	23.1	**1,338,339,341**	1,190,279,916	**1,338,339,341**	1,190,279,916
Personal loans	23.2	**183,601,123**	155,377,024	**183,601,123**	155,377,024
Pawning advances	23.3	**1,381,352,984**	1,145,063,979	**1,381,352,984**	1,145,063,979
Other advances	23.4	**417,984,666**	335,983,655	**418,229,666**	336,258,655
		3,321,278,114	2,826,704,574	**3,321,523,114**	2,826,979,574

23.1 Commercial loans

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Gross investment in commercial loans receivable within one year		439,582,531	495,038,490	439,582,531	495,038,490
Gross investment in commercial loans receivable between one and five years		877,640,227	483,315,291	877,640,227	483,315,291
Gross investment in commercial loans receivable in respect of non-performing loans		897,389,142	810,221,926	897,389,142	810,221,926
Commercial loans granted to tourism industry non-performing		3,203,096	6,833,677	3,203,096	6,833,677
Interest receivable on facilities under relief measures due to COVID-19		7,263,378	18,102,990	7,263,378	18,102,990
Commercial loans receivable in arrears		86,924,494	55,384,637	86,924,494	55,384,637
		2,312,002,868	1,868,897,011	2,312,002,868	1,868,897,011
Unearned commercial loan income		(163,240,612)	(177,467,094)	(163,240,612)	(177,467,094)
Prepaid commercial loan rentals		(7,100,715)	(3,937,637)	(7,100,715)	(3,937,637)
Net investment in commercial loans		2,141,661,541	1,687,492,280	2,141,661,541	1,687,492,280
Impairment losses					
Provision for individual impairment	23.1.1	(195,088,653)	(141,549,966)	(195,088,653)	(141,549,966)
Provision for collective impairment	23.1.2	(608,233,547)	(355,662,398)	(608,233,547)	(355,662,398)
Net investment in commercial loans after impairment		1,338,339,341	1,190,279,916	1,338,339,341	1,190,279,916

23.1.1 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	141,549,966	141,781,737	141,549,966	141,781,737
Charge/(Reversal) for the year	53,538,687	(231,771)	53,538,687	(231,771)
Balance at the end of the year	195,088,653	141,549,966	195,088,653	141,549,966
Gross amount of loans individually determined to be impaired	237,054,852	195,723,575	237,054,852	195,723,575

23.1.2 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	**355,662,398**	221,724,232	**355,662,398**	221,724,232
Charge for the year	**237,727,727**	127,905,933	**237,727,727**	127,905,933
Interest income accrued on impaired loans and receivables	**14,843,422**	6,032,233	**14,843,422**	6,032,233
Balance at the end of the year	**608,233,547**	355,662,398	**608,233,547**	355,662,398
Total of individual and collective impairment	**803,322,200**	497,212,364	**803,322,200**	497,212,364

23.1.3 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans for the Company and Group are given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Net investment in commercial loans 31 March 2022	**354,403,535**	**673,301,927**	**1,113,956,079**	**2,141,661,541**
Allowance for collective impairment	**(19,961,075)**	**(117,260,766)**	**(471,011,706)**	**(608,233,547)**
Allowance for individual impairment	–	–	**(195,088,653)**	**(195,088,653)**
	334,442,460	**556,041,161**	**447,855,720**	**1,338,339,341**
Net investment in 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

23.2 Personal loans

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Gross investment in personal loan receivable within one year		86,224,560	83,857,505	86,224,560	83,857,505
Gross investment in personal loan receivable between one and five years		176,650,175	156,464,672	176,650,175	156,464,672
Gross investment in personal loans receivable in respect of non-performing loans		378,026	465,782	378,026	465,782
Personal loan receivable in arrears		4,326,235	436,980	4,326,235	436,980
		267,578,996	241,224,939	267,578,996	241,224,939
Unearned personal loan income		(80,326,178)	(78,143,948)	(80,326,178)	(78,143,948)
Prepaid personal loan rentals		(2,687,420)	(7,703,967)	(2,687,420)	(7,703,967)
Net investment in personal loan		184,565,398	155,377,024	184,565,398	155,377,024
Impairment losses					
Provision for collective impairment	23.2.1	(964,275)	–	(964,275)	–
Net investment in commercial loans after impairment		183,601,123	155,377,024	183,601,123	155,377,024

23.2.1 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans for the Company and Group are given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Net investment in personal loans 31 March 2022	142,097,263	42,176,156	291,979	184,565,398
Allowance for collective impairment	(170,260)	(662,623)	(131,392)	(964,275)
	141,927,003	41,513,533	160,587	183,601,123

23.3 Pawning advances

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Gross investment in pawning advances		1,302,527,568	1,063,559,175	1,302,527,568	1,063,559,175
Interest receivable from pawning advances		79,573,570	82,051,201	79,573,570	82,051,201
Net investment in pawning advances		1,382,101,138	1,145,610,376	1,382,101,138	1,145,610,376
Impairment losses					
Provision for collective impairment	23.3.1	(748,154)	(546,397)	(748,154)	(546,397)
Net investment in pawning advances after impairment		1,381,352,984	1,145,063,979	1,381,352,984	1,145,063,979

23.3.1 Movement in allowance for collective impairment

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Balance at the beginning of the year	546,397	2,673,202	546,397	2,673,202
Charge/(reversal) of the year	201,757	(2,126,805)	201,757	(2,126,805)
Balance at the end of the year	748,154	546,397	748,154	546,397

23.3.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying loans for the Company and Group are given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Net investment in pawning advances 31 March 2022	1,345,293,694	26,268,131	10,539,313	1,382,101,138
Allowance for collective impairment	(502,560)	(150,683)	(94,911)	(748,154)
	1,344,791,134	26,117,448	10,444,402	1,381,352,984
Net investment in 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

23.4 Other advances

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Loans against fixed deposits		111,811,954	48,541,084	111,811,954	48,541,084
Discounting of cheques		–	490,000	–	490,000
Insurance receivables		262,609,534	410,848,258	262,609,534	410,848,258
Staff debtors		21,583,246	20,925,665	21,828,246	21,200,665
Sundry debtors		7,017,364	4,308,428	7,017,364	4,308,428
Short-term corporate loan		175,517,377	–	175,517,377	–
		578,539,475	485,113,435	578,784,475	485,388,435
Impairment losses					
Provision for individual impairment	23.4.1	–	(1,906,394)	–	(1,906,394)
Provision for collective impairment	23.4.2	(160,554,809)	(147,223,386)	(160,554,809)	(147,223,386)
Net investment in other advances after impairment		417,984,666	335,983,655	418,229,666	336,258,655

Notes to the Financial Statements

23.4.1 Movement in allowance for individual impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	1,906,394	1,906,394	1,906,394	1,906,394
Reversal for the year	(1,906,394)	–	(1,906,394)	–
Balance at the end of the year	–	1,906,394	–	1,906,394
Gross amount of loans individually determined to be impaired	–	4,798,428	–	4,798,428

23.4.2 Movement in allowance for collective impairment

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	147,223,386	160,170,931	147,223,386	160,170,931
Charge/(Reversal) for the year	51,594,940	(12,947,545)	51,594,940	(12,947,545)
Net write-offs for the year	(38,263,517)	–	(38,263,517)	–
Balance at the end of the year	160,554,809	147,223,386	160,554,809	147,223,386
Total of individual and collective impairment	160,554,809	149,129,780	160,554,809	149,129,780

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

	Company			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Net investment in other advances 31 March 2022	**121,104,941**	**237,635,815**	**219,798,719**	**578,539,475**
Allowance for collective impairment	(9,168,811)	(13,123,444)	(138,262,554)	(160,554,809)
	111,936,130	**224,512,371**	**81,536,165**	**417,984,666**
Net investment in other 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

	Group			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Net investment in other advances 31 March 2022	**121,349,941**	**237,635,815**	**219,798,719**	**578,784,475**
Allowance for collective impairment	(9,168,811)	(13,123,444)	(138,262,554)	(160,554,809)
	112,181,130	**224,512,371**	**81,536,165**	**418,229,666**
Net investment in other advances 31 March 2021	207,515,572	65,173,712	212,699,151	485,388,435
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)
	189,435,897	55,547,208	91,275,550	336,258,655

24. Financial Assets Measured at Fair Value through Other Comprehensive Income

Unquoted shares

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Credit Information Bureau of Sri Lanka	90,586	90,586	90,586	90,586
Finance House Consortium (Pvt) Ltd.	200,000	200,000	200,000	200,000
Senkadagala Hotels Limited	14,472,182	15,174,287	14,472,182	15,174,287
	14,762,768	15,464,873	14,762,768	15,464,873

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 and no strategic investments were disposed of during 2021/22 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

25. Financial Assets at Amortised Cost – Other Financial Instruments

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Treasury Bills	1,035,774,578	1,017,212,400	1,035,774,578	1,017,212,400
Treasury Bonds	–	196,250,503	–	196,250,503
	1,035,774,578	1,213,462,903	1,035,774,578	1,213,462,903

26. Investments in Subsidiaries – Unquoted

26.1 Senkadagala Insurance Brokers (Pvt) Ltd.

	Company	
As at 31 March	2022 LKR	2021 LKR
(2,000,000 Ordinary shares) Holding (%)	100	100
Place of business	No. 437B,1st Floor, Katugastota Road, Kandy	
Cost of the investment	20,000,000	20,000,000

26.2 Newest Capital Limited

	Company	
As at 31 March	2022 LKR	2021 LKR
(150,000,000 Ordinary shares) Holding (%)	100	100
Place of business	No. 267, Galle Road, Colombo 03	
Cost of the investment	281,510,277	281,510,277

Notes to the Financial Statements

26.3 Senfin Asset Management (Pvt) Ltd.

	Company	
As at 31 March	2022 LKR	2021 LKR
(19,916,303 Ordinary shares) Holding (%)	100	100
Place of business	No. 267, Galle Road, Colombo 03	
Cost of the investment	26,791,386	26,791,386
Total investments in subsidiaries	328,301,663	328,301,663

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2022. Accordingly, it was concluded that there is no impairment provision required to be made in the financial statements as at the reporting date.

27. Investment Property

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Cost or valuation				
Balance at the beginning of the year	386,382,655	386,382,655	299,444,424	299,444,424
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	25,201,035	20,972,286	33,924,316	29,695,567
Charge for the year	4,228,749	4,228,749	4,228,749	4,228,749
Balance at the end of the year	29,429,784	25,201,035	38,153,065	33,924,316
Carrying amount at the end of the year	356,952,871	361,181,620	261,291,359	265,520,108

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	2022 LKR	2021 LKR	2022 LKR	2021 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 LKR	Cost 2022 LKR	Carrying value 2022 LKR	Cost 2021 LKR	Carrying value 2021 LKR
	Land	Building						
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	58,991,062	70,679,827	59,819,811
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	285,000,000	298,600,000	288,400,000
				589,900,000	386,382,655	356,952,871	386,382,655	361,181,620

27.2.2 Group

Location	Extent		Number of buildings	Valuation LKR	Cost 2022 LKR	Carrying value 2022 LKR	Cost 2021 LKR	Carrying value 2021 LKR
	Land	Building						
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	58,991,062	70,679,827	59,819,811
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	189,338,488	211,661,769	192,738,488
				589,600,000	299,444,424	261,291,359	299,444,424	265,520,108

27.3 Amount recognised in profit or loss

Rental income recognised by the Group from the investment property during the period was LKR 25,200,000/- (2021 – LKR 19,044,700/-) and was included in the other operating income. Maintenance expenses included in establishment expenses in relation to income generating property was LKR 432,268/- during the period (2021 – LKR 1,602,960/-). 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	Buildings	Furniture, fittings and fixtures	Office equipment	Air conditioner	Computer and accessories	Facsimile machine	Generator	Motor vehicles	Photostat machine	Printers	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost												
As at 1 April 2021	493,786,781	206,668,138	478,049,773	400,305,759	82,803,703	447,442,819	2,622,138	63,902,044	1,185,879,292	13,716,236	45,360,354	3,420,537,037
Additions during the year	–	–	8,264,299	63,244,017	9,006,468	6,441,000	27,540	804,900	–	891,000	2,102,134	90,781,358
Disposals during the year	–	–	–	(1,045,285)	(722,858)	(9,816,574)	–	–	(2,563,130)	–	(371,330)	(14,519,177)
As at 31 March 2022	493,786,781	206,668,138	486,314,072	462,504,492	91,087,313	444,067,245	2,649,678	64,706,944	1,183,316,162	14,607,236	47,091,158	3,496,799,218
Accumulated depreciation												
As at 1 April 2021	–	31,566,723	302,666,779	242,293,451	69,471,154	421,380,728	1,719,845	50,171,341	712,989,541	12,596,933	40,202,097	1,885,058,591
Charge for the year	–	10,974,887	37,290,830	35,111,052	6,333,718	16,004,157	184,656	3,140,727	178,412,669	619,609	2,821,484	290,893,789
Disposals	–	–	–	(1,007,234)	(722,858)	(9,816,574)	–	–	(1,999,308)	–	(371,330)	(13,917,304)
As at 31 March 2022	–	42,541,610	339,957,609	276,397,269	75,082,014	427,568,311	1,904,501	53,312,068	889,402,902	13,216,542	42,652,251	2,162,035,076
Net book value	493,786,781	164,126,528	146,356,463	186,107,223	16,005,299	16,498,934	745,177	11,394,876	293,913,260	1,390,694	4,438,907	1,334,764,142
Cost												
As at 1 April 2020	493,786,781	206,668,138	454,462,967	383,977,819	76,012,283	438,224,076	2,566,248	62,931,218	1,169,774,643	13,187,836	42,948,294	3,344,540,303
Additions during the year	–	–	23,586,806	16,332,940	6,791,420	9,218,743	55,890	1,287,415	54,371,750	528,400	2,412,060	114,585,424
Disposals during the year	–	–	–	(5,000)	–	–	–	(316,589)	(38,267,101)	–	–	(38,588,690)
As at 31 March 2021	493,786,781	206,668,138	478,049,773	400,305,759	82,803,703	447,442,819	2,622,138	63,902,044	1,185,879,292	13,716,236	45,360,354	3,420,537,037
Accumulated depreciation												
As at 1 April 2020	–	20,591,836	266,802,976	208,145,175	63,631,675	400,286,878	1,523,042	46,808,702	542,984,083	11,906,238	37,029,252	1,599,709,857
Charge for the year	–	10,974,887	35,863,803	34,148,445	5,839,479	21,093,850	196,803	3,646,231	195,315,720	690,695	3,172,845	310,942,758
Disposals	–	–	–	(169)	–	–	–	(283,592)	(25,310,262)	–	–	(25,594,023)
As at 31 March 2021	–	31,566,723	302,666,779	242,293,451	69,471,154	421,380,728	1,719,845	50,171,341	712,989,541	12,596,933	40,202,097	1,885,058,591
Net book value	493,786,781	175,101,415	175,382,994	158,012,308	13,332,549	26,062,091	902,293	13,730,703	472,889,751	1,119,303	5,158,257	1,535,478,446

Notes to the Financial Statements

28.2 Group

	Land	Buildings	Furniture, fittings and fixtures	Office equipment	Air conditioner	Computer and accessories	Facsimile machine	Generator	Motor vehicles	Photostat machine	Printers	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost												
As at 1 April 2021	493,786,781	206,668,138	481,042,881	401,002,587	82,803,703	450,064,749	2,677,018	63,902,044	1,193,007,452	13,847,276	45,492,855	3,434,295,484
Additions during the year	–	–	12,492,906	64,303,124	9,006,468	7,670,000	27,540	804,900	–	891,000	2,157,133	97,353,071
Disposals during the year	–	–	–	(1,045,285)	(722,858)	(9,816,574)	–	–	(2,563,130)	–	(371,330)	(14,519,177)
As at 31 March 2022	493,786,781	206,668,138	493,535,787	464,260,427	91,087,313	447,918,175	2,704,558	64,706,944	1,190,444,322	14,738,276	47,278,658	3,517,129,378
Accumulated depreciation												
As at 1 April 2021	–	31,566,723	303,194,279	242,793,585	69,471,154	423,284,304	1,763,270	50,171,341	718,420,288	12,700,673	40,309,731	1,893,675,347
Charge for the year	–	10,974,887	37,958,718	35,246,931	6,333,718	16,479,052	190,144	3,140,727	179,600,933	632,713	2,831,109	293,388,932
Disposals	–	–	–	(1,007,234)	(722,858)	(9,816,574)	–	–	(1,999,308)	–	(371,330)	(13,917,304)
As at 31 March 2022	–	42,541,610	341,152,997	277,033,282	75,082,014	429,946,782	1,953,414	53,312,068	896,021,913	13,333,386	42,769,510	2,173,146,975
Net book value	493,786,781	164,126,528	152,382,790	187,227,145	16,005,299	17,971,393	751,144	11,394,876	294,422,409	1,404,890	4,509,148	1,343,982,403
Cost												
As at 1 April 2020	493,786,781	206,668,138	455,044,160	384,507,647	76,012,283	439,989,006	2,621,128	62,931,218	1,176,902,803	13,318,876	43,080,795	3,354,862,835
Additions during the year	–	–	25,998,721	16,499,940	6,791,420	10,075,743	55,890	1,287,415	54,371,750	528,400	2,412,060	118,021,339
Disposals during the year	–	–	–	(5,000)	–	–	–	(316,589)	(38,267,101)	–	–	(38,588,690)
As at 31 March 2021	493,786,781	206,668,138	481,042,881	401,002,587	82,803,703	450,064,749	2,677,018	63,902,044	1,193,007,452	13,847,276	45,492,855	3,434,295,484
Accumulated depreciation												
As at 1 April 2020	–	20,591,836	267,294,571	208,615,159	63,631,675	402,051,808	1,560,979	46,808,702	547,226,561	11,996,874	37,127,262	1,606,905,427
Charge for the year	–	10,974,887	35,899,708	34,178,595	5,839,479	21,232,496	202,291	3,646,231	196,503,989	703,799	3,182,469	312,363,944
Disposals	–	–	–	(169)	–	–	–	(283,592)	(25,310,262)	–	–	(25,594,023)
As at 31 March 2021	–	31,566,723	303,194,279	242,793,585	69,471,154	423,284,304	1,763,270	50,171,341	718,420,288	12,700,673	40,309,731	1,893,675,347
Net book value	493,786,781	175,101,415	177,848,602	158,209,002	13,332,549	26,780,445	913,748	13,730,703	474,587,164	1,146,603	5,183,124	1,540,620,137

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	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Office equipment	808,805	–	808,805	–
Air conditioner	722,858	–	722,858	–
Computer and accessories	9,816,574	–	9,816,574	–
Motor vehicles	–	142,482	–	142,482
Printers	371,330	–	371,330	–
	11,719,567	142,482	11,719,567	142,482

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	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Furniture, fittings and fixtures	109,091,029	83,597,954	109,436,664	83,932,091
Office equipment	69,024,277	49,440,211	69,387,605	49,803,539
Air conditioner	61,447,260	59,662,749	61,447,260	59,662,749
Computer and accessories	397,390,249	378,519,794	399,155,179	380,284,724
Facsimile machine	940,400	662,900	940,400	662,900
Generator	40,386,933	37,428,471	40,386,933	37,428,471
Motor vehicles	202,755,252	14,217,982	202,755,252	14,217,982
Photostat machine	11,678,636	11,583,776	11,678,636	11,583,776
Printers	37,745,631	34,338,793	37,839,631	34,432,793
	930,459,667	669,452,630	933,027,560	672,009,025

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 2022	Carrying value 2022	Cost 2021	Carrying value 2021
		Land	Building	LKR	LKR	LKR	LKR	LKR
7/4, Mawilmada Road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq.Ft.	35,775,000	13,010,874	7,318,382	13,010,874	7,805,508
Highway Park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq.Ft.	45,220,000	30,711,364	24,949,354	30,711,364	25,589,354
92, Deans Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.Ft.	81,000,000	24,600,000	23,479,229	24,600,000	23,615,137
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	71,330,868	77,999,400	72,642,710
No. 91B and 93, Colombo Road, Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.Ft.	50,100,000	46,799,100	45,510,507	46,799,100	45,844,786
No. 91, Kandy Road, Kurunegala.	1	0 A. 0 R. 18.10 P	8,460 sq.Ft.	119,900,000	114,484,181	107,675,112	114,484,181	110,903,391
No. 287/1, Yongamulla, Yakkala	1	0 A. 1 R. 8.50 P	2,262 sq.Ft.	13,150,000	12,500,000	11,348,964	12,500,000	11,686,416
No. 14, Kotugodella Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.Ft.	383,900,000	380,350,000	366,300,893	380,350,000	370,800,894
Total				829,395,000	700,454,919	657,913,309	700,454,919	668,888,196

28.9.2 Information of freehold land and building – Group

Location	Number of buildings	Extent		Valuation	Cost 2022	Carrying value 2022	Cost 2021	Carrying value 2021
		Land	Building	LKR	LKR	LKR	LKR	LKR
7/4, Mawilmada Road, Kandy	1	0 A. 1 R. 10.595 P	1,301 sq.Ft.	35,775,000	13,010,874	7,318,382	13,010,874	7,805,508
Highway Park, Amunugama, Pothuhera	1	0 A. 5 R. 25.49 P	680 sq.Ft.	45,220,000	30,711,364	24,949,354	30,711,364	25,589,354
92, Deans Road, Colombo 10	1	0 A. 0 R. 8.00 P	4,358 sq.Ft.	81,000,000	24,600,000	23,479,229	24,600,000	23,615,137
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	71,330,868	77,999,400	72,642,710
No. 91B and 93, Colombo Road, Piliyandala	2	A. 0 R. 12.00 P	4,350 sq.Ft.	50,100,000	46,799,100	45,510,507	46,799,100	45,844,786
No. 91, Kandy Road, Kurunegala.	1	0 A. 0 R. 18.10 P	8,460 sq.Ft.	119,900,000	114,484,181	107,675,112	114,484,181	110,903,391
No. 287/1, Yongamulla, Yakkala	1	0 A. 1 R. 8.50 P	2,262 sq.Ft.	13,150,000	12,500,000	11,348,964	12,500,000	11,686,416
No. 14, Kotugodella Veediya, Kandy	1	0 A. 0 R. 10.00 P	12,674 sq.Ft.	383,900,000	380,350,000	366,300,893	380,350,000	370,800,894
Total				829,395,000	700,454,919	657,913,309	700,454,919	668,888,196

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.

(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

As at 31 March	Software 2022 LKR	Software 2021 LKR
Cost		
Balance at the beginning of the year	**264,791,023**	243,091,023
Additions during the year	**22,407,115**	21,700,000
Balance at the end of the year	**287,198,138**	264,791,023
Accumulated amortisation		
Balance at the beginning of the year	**209,671,651**	196,853,396
Amortisation for the year	**13,496,354**	12,818,255
Balance at the end of the year	**223,168,005**	209,671,651
Carrying amount	**64,030,133**	55,119,372

29.2 Group

As at 31 March	Software LKR	Website LKR	Total 2022 LKR	Total 2021 LKR
Cost				
Balance at the beginning of the year	268,375,360	197,847	**268,573,207**	246,559,236
Additions during the year	22,737,238	–	**22,737,238**	22,013,971
Balance at the end of the year	291,112,598	197,847	**291,310,445**	268,573,207
Accumulated amortisation				
Balance at the beginning of the year	212,965,725	197,847	**213,163,572**	200,321,609
Amortisation for the year	13,568,558	–	**13,568,558**	12,841,963
Balance at the end of the year	226,534,283	197,847	**226,732,130**	213,163,572
Carrying amount	64,578,315	–	**64,578,315**	55,409,635

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:

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Software	154,467,616	140,806,417	157,737,983	144,076,784
Website	–	–	197,847	197,847
	154,467,616	140,806,417	157,935,830	144,274,631

29.4 The Group does not recognised any goodwill as at the reporting date.

30. Right-of-use Assets

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year		409,875,363	388,931,384	409,875,363	388,931,384
Additions during the year		46,020,185	89,871,710	65,448,627	89,871,710
Depreciation charge for the year	30.1	(104,907,202)	(98,743,931)	(111,383,349)	(98,743,931)
Advance payment made during the year	30.2	10,085,988	29,816,200	10,085,988	29,816,200
Balance at the end of the year		361,074,334	409,875,363	374,026,629	409,875,363

30.1 Amounts recognised in statement of profit or loss

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Depreciation of right-of-use assets	104,907,202	98,743,931	111,383,349	98,743,931

30.2 Amounts recognised in statement of cash flows

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Total cash outflow from lease	(10,085,988)	(29,816,200)	(10,085,988)	(29,816,200)

31. Other Assets

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Stock of gold specimen	259,200	259,200	259,200	259,200
Western Union MMBL	–	96,788	–	96,788
Advance payments	39,511,685	42,720,368	40,672,797	43,220,093
Funds held at Orion Fund Management	6,783,404	–	6,783,404	–
Sundry deposits	8,897,192	8,862,192	8,907,192	8,872,192
Cash cover	1,278,873	1,278,873	1,278,873	1,278,873
Dividend receivables	44,000,000	55,000,000	–	–
Other receivables	36,998,290	31,735,172	40,709,685	34,370,016
	137,728,644	139,952,593	98,611,151	88,097,162

32. Due to Banks

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Bank overdrafts		207,593,583	79,954,074	207,593,583	79,954,074
Assets securitised loans	32.1	6,483,802,528	7,063,591,812	6,483,802,528	7,063,591,812
		6,691,396,111	7,143,545,886	6,691,396,111	7,143,545,886

32.1 Assets securitised loans movement during the year

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at the beginning of the year	7,080,407,522	4,843,872,701	7,080,407,522	4,843,872,701
Loans obtained during the year	2,600,000,000	6,300,000,000	2,600,000,000	6,300,000,000
Capital repayment during the year	(3,220,037,155)	(4,063,465,179)	(3,220,037,155)	(4,063,465,179)
Balance before amortised interest payable/(receivable)	6,460,370,367	7,080,407,522	6,460,370,367	7,080,407,522
Amortised interest payable/(receivable)	23,432,161	(16,815,710)	23,432,161	(16,815,710)
As at the end of the year	6,483,802,528	7,063,591,812	6,483,802,528	7,063,591,812

32.1.1 Assets securitised loans

Lending institution	Nature of facility	Term in months	Security	Interest rate	2022 LKR	2021 LKR
Short-term borrowings						
Commercial Bank of Ceylon PLC	Revolving term loan	48	Lease receivables	Fixed	–	1,000,000,000
Long-term borrowings						
Commercial Bank of Ceylon PLC	Revolving term loan/term loans	48	Lease receivables	Floating/Fixed	2,493,703,700	2,158,185,300
National Development Bank PLC	Term loans	60	Lease receivables	Floating	100,000,000	100,000,000
People's Bank	Term loans	53	USD fixed deposits	Floating	2,866,666,667	3,822,222,222
DFCC Bank PLC	Term loans	48	Lease receivables	Fixed	1,000,000,000	–
Total for Company/Group					6,460,370,367	7,080,407,522

Lease and hire purchase aggregate portfolio amounting to LKR 2,210,885,806/- (2021 – LKR 2,309,390,239/-) have been pledged as security for the other bank loans.

Senkadagala Finance PLC has pledged fixed deposits amount of LKR 6,798,854,270/- to obtain loan from Peoples' Bank and Commercial Bank.

33. Financial Liabilities at Amortised Cost – Due to Depositors

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Saving deposits		739,041,739	558,617,587	739,041,739	558,617,587
Certificates of deposit	33.1	10,593,470	10,144,643	10,593,470	10,144,643
Fixed deposits	33.2	10,074,348,171	10,977,660,111	10,032,703,242	10,919,805,415
		10,823,983,380	11,546,422,341	10,782,338,451	11,488,567,645

33.1 Certificates of deposit

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Face value	10,800,000	10,400,000	10,800,000	10,400,000
Interest in suspense	(206,530)	(255,357)	(206,530)	(255,357)
	10,593,470	10,144,643	10,593,470	10,144,643

33.2 Fixed deposits

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Fixed deposits	9,851,775,277	10,650,272,867	9,810,534,407	10,592,755,288
Amortised interest payable	222,572,894	327,387,244	222,168,835	327,050,127
	10,074,348,171	10,977,660,111	10,032,703,242	10,919,805,415

34. Financial Liabilities at Amortised Cost – Other Borrowings

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Commercial papers	34.1	67,734,520	312,796,335	67,734,520	312,796,335
Assets securitised loans	34.2	10,379,860,498	9,479,593,194	10,379,860,498	9,479,593,194
		10,447,595,018	9,792,389,529	10,447,595,018	9,792,389,529

34.1 Commercial papers

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Commercial papers capital outstanding	65,000,000	310,000,000	65,000,000	310,000,000
Amortised interest payable	2,734,520	2,796,335	2,734,520	2,796,335
	67,734,520	312,796,335	67,734,520	312,796,335

34.2 Assets securitised loans

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Assets securitisation loans capital outstanding	3,350,000,000	4,001,000,000	3,350,000,000	4,001,000,000
Borrowings from International Finance Corporation (IFC)	585,000,000	1,170,000,000	585,000,000	1,170,000,000
Borrowings from Netherland Development Finance Company (FMO)	4,983,333,340	4,423,059,956	4,983,333,340	4,423,059,956
Borrowings from Incofin Investment Management	1,495,000,000	–	1,495,000,000	–
Amortised interest receivable	(33,472,842)	(114,466,762)	(33,472,842)	(114,466,762)
	10,379,860,498	9,479,593,194	10,379,860,498	9,479,593,194

34.2.1 Assets securitised loans movement during the year

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at the beginning of the year	9,594,059,956	6,088,050,000	9,594,059,956	6,088,050,000
Loans obtained during the year	1,003,700,000	8,153,250,000	1,003,700,000	8,153,250,000
Capital repayment during the year	(184,426,616)	(4,647,240,044)	(184,426,616)	(4,647,240,044)
Balance before amortised interest (receivable)/payable	10,413,333,340	9,594,059,956	10,413,333,340	9,594,059,956
Amortised interest receivable	(33,472,842)	(114,466,762)	(33,472,842)	(114,466,762)
As at the end of the year	10,379,860,498	9,479,593,194	10,379,860,498	9,479,593,194

34.2.2 Assets securitised loans

Lending institution/Trustee	Nature of facility	Term in months	Security	Interest rate	2022 LKR	2021 LKR
Long term borrowings						
Hatton National Bank PLC	Securitisation loan	48	Lease receivables	Fixed	–	51,000,000
Hatton National Bank PLC	Syndication loan 2	60	Lease receivables	Fixed	100,000,000	450,000,000
Hatton National Bank PLC	Syndication loan 3	60	Lease receivables	Fixed	3,250,000,000	3,500,000,000
International Financial Corporation (IFC)	Term loan	60	Lease receivables	Floating	585,000,000	1,170,000,000
Netherlands Development Finance Company (FMO)	USD term loans	53	Lease receivables	Floating	4,983,333,340	4,423,059,956
Incofin Investment Management	USD term loans	38	Lease receivables	Floating	1,495,000,000	–
Total for Company/Group					10,413,333,340	9,594,059,956

Securities pledged

Lease and hire purchase aggregate portfolio amounting to LKR 5,620,923,902/- (2021 – LKR 5,633,831,360/-) have been pledged as security for the above loans.

34.2.3 Debt securities issued

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at the beginning of the year	–	2,413,210,000	–	2,413,210,000
Redemptions of debentures	–	(2,413,210,000)	–	(2,413,210,000)
As at the end of the year	–	–	–	–

35. Subordinated Debentures

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at the beginning of the year	1,750,000,000	1,750,000,000	1,750,000,000	1,750,000,000
Amortised interest payable	18,547,190	18,323,395	18,547,190	18,323,395
As at the end of the year	1,768,547,190	1,768,323,395	1,768,547,190	1,768,323,395

Outstanding debentures as at 31 March 2022 consists of 17,500,000 (2020/21 – 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:

	Interest payable	Period of issue	Period of maturity	Value	
As at 31 March				2022 LKR	2021 LKR
2019/20 – Fixed rated 12.875% p.a.	Semi-annually	2019/20	2024/25	1,750,000,000	1,750,000,000

36. Lease Liability

		Company		Group	
As at 31 March	Note	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at the beginning of the year		377,500,417	344,723,626	377,500,417	344,723,626
Additions during the year		46,020,185	89,871,710	65,448,627	89,871,710
Interest expense recognised in statement of profit or loss	36.1	57,598,226	58,716,407	59,584,843	58,716,407
Payment during the year	36.2	(123,901,873)	(115,811,326)	(130,381,873)	(115,811,326)
As at the end of the year		357,216,955	377,500,417	372,152,014	377,500,417

36.1 Amounts recognised in statements of profit or loss

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Interest expense recognised in statement of profit or loss	57,598,226	58,716,407	59,584,843	58,716,407

36.2 Amounts recognised in statement of cash flows

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Total cash outflow from lease	(123,901,873)	(115,811,326)	(130,381,873)	(115,811,326)

37. Net Deferred Tax Liabilities

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	319,294,434	402,371,039	318,583,517	402,137,961
Amount reversed during the year	(180,495,945)	(27,861,284)	(180,980,849)	(28,197,775)
Effect of change in tax rate	–	(53,215,739)	–	(53,173,690)
Total amount reversed to Statement of Profit or Loss	(180,495,945)	(81,077,023)	(180,980,849)	(81,371,465)
Amount charged/(reversed) during the year – Statement of Other Comprehensive Income	11,773,664	(1,999,582)	11,827,446	(2,182,979)
Balance at the end of the year	150,572,153	319,294,434	149,430,114	318,583,517

The unutilised tax loss in the Financial Statements of subsidiary of the Group [Senfin Asset Management (Private) Limited] as at the reporting date was LKR 50,500,776/- (2021 – LKR 78,762,297/-) which is available for offsetting against the future taxable income of the Company for a minimum period of six years. However, the Company has recognised deferred tax asset on unutilised tax losses only up to the deferred tax liability as at 31 March 2022 in accordance with LKAS 12 and provisions of Inland Revenue Act No. 24 of 2017. Accordingly deferred tax asset of LKR Nil (2021 – Nil) has been recognised from the brought forward tax losses amounting to LKR 12,120,186/- (2021 – LKR 18,902,951/-).

37.1 Reconciliation of net deferred tax liabilities

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Deferred tax – Liabilities				
Property, plant and equipment	82,187,060	91,590,458	82,625,805	91,801,306
Lease capital balance	261,279,231	428,130,462	261,279,231	428,130,462
Right-of-use assets	2,260,933	2,342,922	1,785,070	2,342,922
	345,727,224	522,063,842	345,690,106	522,274,690
Deferred tax – Assets				
Retirement benefit obligation	26,140,937	37,194,960	27,245,858	38,116,725
Unclaimed impairment provision	169,014,134	165,574,448	169,014,134	165,574,448
	195,155,071	202,769,408	196,259,992	203,691,173
Net deferred tax liabilities	150,572,153	319,294,434	149,430,114	318,583,517

37.1 Reconciliation of net deferred tax liabilities (Continued)

	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Company						
Deferred tax liabilities on:						
Property, plant and equipment	82,187,060	91,590,458	9,403,398	26,904,126	–	–
Lease capital balance	261,279,231	428,130,462	166,851,231	79,706,241	–	–
Right-of-use assets	2,260,933	2,342,922	81,989	(530,939)	–	–
	345,727,224	522,063,842	176,336,618	106,079,428	–	–
Deferred tax assets on:						
Retirement benefit obligation	26,140,937	37,194,960	719,641	673,707	(11,773,664)	1,999,582
Unclaimed impairment provision	169,014,134	165,574,448	3,439,686	(25,676,112)	–	–
	195,155,071	202,769,408	4,159,327	(25,002,405)	(11,773,664)	1,999,582
Deferred tax effect on comprehensive income			180,495,945	81,077,023	(11,773,664)	1,999,582
Net deferred tax liabilities	150,572,153	319,294,434				
Group						
Deferred tax liabilities on:						
Property, plant and equipment	82,625,805	91,801,306	9,175,501	26,765,920	–	–
Lease capital balance	261,279,231	428,130,462	166,851,231	79,706,241	–	–
Right-of-use assets	1,785,070	2,342,922	557,852	(530,939)	–	–
	345,690,106	522,274,690	176,584,584	105,941,222	–	–
Deferred tax assets on:						
Retirement benefit obligation	27,245,858	38,116,725	956,579	1,106,355	(11,827,446)	2,182,979
Unclaimed impairment provision	169,014,134	165,574,448	3,439,686	(25,676,112)	–	–
	196,259,992	203,691,173	4,396,265	(24,569,757)	(11,827,446)	2,182,979
Deferred tax effect on comprehensive income			180,980,849	81,371,465	(11,827,446)	2,182,979
Net deferred tax liabilities	149,430,114	318,583,517				

38. Current Tax Payable/(Recoverable)

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Income tax				
Balance at the beginning of the year	63,946,177	2,894,812	65,558,870	(569,887)
Current income tax charge	429,627,528	179,255,327	456,136,107	211,429,862
Under provision in respect of previous year	–	10,909,166	180,600	10,909,166
Income tax assessment	33,543,897	43,512,509	33,543,897	43,512,509
Payments made during the year	(406,588,389)	(172,625,637)	(431,514,640)	(199,872,634)
Write-off of withholding tax receivable	–	–	–	149,854
Balance at the end of the year	120,529,213	63,946,177	123,904,834	65,558,870
Other tax liabilities	85,832,984	70,387,155	85,832,984	70,387,155
	206,362,197	134,333,332	209,737,818	135,946,025

39. Amounts Due to Related Company

	Company	
As at 31 March	2022 LKR	2021 LKR
Newest Capital Limited	282,122,456	282,185,096
	282,122,456	282,185,096

40. Other Liabilities

As at 31 March	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Accrued expenditure – Non-interest	18,019,140	13,167,140	19,213,013	14,054,761
Payable to suppliers	321,734,938	339,472,627	321,734,938	339,472,627
Dividend payable	14,389,953	9,333,117	14,389,953	9,333,117
Deposit insurance premium	1,196,399	1,226,872	1,196,399	1,226,872
Deferred loan protection fee income	14,882,203	18,111,962	14,882,203	18,111,962
Other liabilities	30,325,009	43,722,374	31,915,266	53,480,889
Staff bonus payable	114,371,688	–	114,371,688	–
	514,919,330	425,034,092	517,703,460	435,680,228

41. Employee Retirement Benefits

As at 31 March	Note	Company 2022 LKR	Company 2021 LKR	Group 2022 LKR	Group 2021 LKR
Balance at the beginning of the year		154,978,998	123,291,686	158,819,688	125,625,819
Retirement benefit expense recognised in the Statement of Profit or Loss	41.1	21,048,466	26,626,685	22,281,709	27,369,087
Retirement benefit expense recognised in the Statement of Other Comprehensive Income	41.2	(49,056,932)	8,331,590	(49,281,026)	9,095,745
Benefits paid during the year		(18,049,963)	(3,270,963)	(18,295,963)	(3,270,963)
Balance at the end of the year		108,920,569	154,978,998	113,524,408	158,819,688

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

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Current service cost	17,196,924	14,913,975	17,402,988	15,453,531
Interest cost	11,003,508	11,712,710	12,030,687	11,915,556
Plan amendment	(7,151,966)	–	(7,151,966)	–
Total	21,048,466	26,626,685	22,281,709	27,369,087

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

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Actuarial (gain)/loss for the year	(49,056,932)	8,331,590	(49,281,026)	9,095,745
	(49,056,932)	8,331,590	(49,281,026)	9,095,745

As required by Sri Lanka Accounting Standards (LKAS -19) “Employee Benefits”, The Company follows Actuarial Valuation method to determine Employee Benefit Obligation, while subsidiaries follows Gratuity formula method.

Company

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 2022. 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”.

During the reporting period, the gratuity arrangement to the employees were adjusted to reflect the new legal requirement as per minimum retirement age of workers act No. 28 of Workers 2021 regarding the retirement age. As a result of the plan amendment, the Company’s defined benefit obligation decreased by LKR 7,151,966 Mn. (2021: NIL). The corresponded past service cost was recognised in profit or loss during 2022.

41.2 Retirement benefit expense recognised in the statement of other comprehensive income (Continued)

As at 31 March	2022	2021
Discount rate	14.0%	7.1%
Salary scale	5.0%	5.0%
Retirement age	60 years	55 years
Weighted average duration of the defined benefit obligation	4.7 years	5.6 years
Staff turnover	15%	14%

Subsidiaries

The principle assumptions used by subsidiaries as follows:

	Salary scale %	Discount rate %	Staff turnover %	Retirement age years
Senkadagala Insurance Brokers (Pvt) Ltd.	11.00	10.50	0.00	60
Senfin Asset Management (Pvt) Ltd.	9.00	14.00	15.19	60

41.3 Sensitivity of assumptions employed

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
Senkadagala Finance PLC	+1	–	4,120	(4,120)
	-1	–	(4,620)	4,620
	–	+1	(4,842)	4,842
	–	-1	4,367	(4,367)

41.3 Sensitivity of assumptions employed (Continued)

	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
Senkadagala Insurance Brokers (Pvt) Ltd.	+1	–	194	(194)
	-1	–	(294)	294
	–	+1	(289)	289
	–	-1	195	(195)
Senfin Asset Management (Pvt) Ltd.	+1	–	140	(140)
	-1	–	(149)	149
	–	+1	(155)	155
	–	-1	148	148

41.4 The expected benefit payout in the future years for retirement gratuity

	Company	
	2021 LKR	2020 LKR
Within 12 months	18,466,667	16,984,586
Between 1 – 5 years	69,579,957	67,145,580
Between 5 – 10 years	86,988,945	114,207,005
Over 10 years	571,200,000	339,000,000
	746,235,569	537,337,171

The expected benefits are estimated based on the same assumptions used to measure the Company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

42. Stated Capital

As at 31 March	2022		2021	
	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
Rights issue	13,804,773	836,914,365	–	–
At the end of the year	86,279,834	2,424,777,045	72,475,061	1,587,862,680

42.1 Issue of right issues

The Company made a rights issue of one (1) new ordinary share for every fourteen (14) ordinary shares held, at a price of LKR 70/- per share during the month of April 2021 and concluded a second rights issue for the year, of one (1) new ordinary share for every nine (9) existing ordinary shares at an issue price of LKR 55/- per share, with the approval of the Central Bank of Sri Lanka and the Colombo Stock Exchange during the month of November 2021.

42.2 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.

43. Statutory Reserve Fund

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	460,036,033	430,036,033	464,997,079	434,997,079
Transfers during the year	46,000,000	30,000,000	46,000,000	30,000,000
Balance at the end of the year	506,036,033	460,036,033	510,997,079	464,997,079

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.

43. Statutory Reserve Fund (Continued)

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 46,000,000/-, which is above the required 5% of its net profit after taxation to the reserve fund as the Company's capital funds to deposit liabilities, belongs to not less than 25% category.

44. Fair Value Reserve

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance at the beginning of the year	4,760,867	4,099,516	4,760,867	4,099,516
Changes in fair value of investments in equity at fair value through other comprehensive income	(702,105)	661,351	(702,105)	661,351
Balance at the end of the year	4,058,762	4,760,867	4,058,762	4,760,867

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

45. 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		Balance outstanding as at 31 March	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Parent company					
E W Balasuriya and Company (Private) Limited	Payment of rent expenses	(23,760,000)	(22,680,000)	–	–
	Dividend payment	(51,231,856)	–	–	–
	Reimbursement of expenses on telephone	13,600,000	8,992,500	800,000	4,800,000
	Investment in debenture	–	–	(978,600,000)	(1,203,650,000)
	Payment of debenture interest	(135,948,748)	(160,425,528)	(10,700,924)	(13,161,830)
	Net funds paid	(197,340,603)	(174,113,028)	–	–
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	(16,209,767)	10,153,771	(41,240,870)	(57,517,579)
	Deposit interest expense	(1,944,754)	(3,158,387)	(404,059)	(337,117)
	Dividend income	83,000,000	100,000,000	44,000,000	55,000,000
	Rent income	300,000	300,000	–	–
	Net funds received	65,145,479	107,295,384		
Subsidiary					
Newest Capital Limited	Payment made on behalf of Newest Capital Limited	(62,640)	(62,316)	–	–
	Net funds paid	(62,640)	(62,316)	–	–
	Balance payable			(282,122,456)	(282,185,096)
Subsidiary					
Senfin Asset Management (Pvt) Ltd.	Reimbursement of expenses on paper advertisement	187,500	125,658	–	–
	Reimbursement of business promotion	304,500	–	–	–
	Net funds received	492,000	125,658	–	–

45. Related Party Transactions (Continued)

Name of the Company	Nature of transaction	Transaction amount		Balance outstanding as at 31 March	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Company under common control					
Senkadagala Hotels Limited	Net investment in fixed deposits	(264,113)	(137,217)	(83,073,591)	(82,871,121)
	Deposit interest expense	(5,860,684)	(8,688,363)	(2,040,246)	(2,506,828)
	Rent income	1,800,000	1,350,000	–	–
	Payment of rent expense	(1,381,680)	(1,381,680)	(115,140)	(115,140)
	Reimbursement of expenses on electricity	(527,295)	(463,350)	(146,643)	(79,782)
	Net funds paid	(6,233,772)	(9,320,610)		
Company under common control					
Thompson's Beach Hotel Ltd.	Net investment in fixed deposits	–	(3,985,316)	–	–
	Deposit interest expense	–	(157,950)	–	–
	Net funds paid	–	(4,143,266)	–	–
Company under common control					
Senfin Securities Limited	Net short-term loans	(175,517,377)	–	175,000,000	–
	Interest on short-term loans	7,779,867	–	517,377	–
	Net funds paid	(167,737,510)	–		

45.1 Recurrent related party transactions

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

Notes to the Financial Statements

45.2 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		Balance outstanding as at 31 March	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Parent company					
E W Balasuriya and Company (Private) Limited	Investment in subordinated listed debenture – August 2019	–	–	978,600,000	1,203,650,000

E W Balasuriya & Company (Private) Limited 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 allotted to the parent after fully allotting for all other non-related investor applications.

45.3 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.

45.3.1 Compensation of key management personnel

As at 31 March	2022 LKR	2021 LKR
Short-term employee benefits		
Board of Directors	30,225,800	18,550,410
Other Key Management Personnel	53,681,700	61,770,485

45.3.2 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 2022 amounted to LKR 31,816,320/- (2021 – LKR 39,578,300/-)

45.3.3 Investments held by key management personnel

As at 31 March	2022 LKR	2021 LKR
Deposits held with the Company	389,116,904	121,895,454
Investments in debentures	75,000,000	13,000,000

46. Commitments and Contingencies

46.1 Capital expenditure commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to the following:

As at 31 March	2022 LKR	2021 LKR
Approved but not contracted for	–	–
Approved and contracted for	–	6,947,433
	–	6,947,433

46.2 Contingent liabilities

The Company has undertaken a Loan Protection Scheme for opting customers, whereby the Company undertakes to insure a certain amount of the receivable balances of lease contracts with a third party insurance company for a fee collected upfront. The loss in case of death or permanent disability is covered through the insurance policy, however based on past experience the Company expects that the probable loss in the event of death and permanent disability would not result in an loss exceeding the insured amount.

Other than the matters disclosed above there were no material contingent liabilities which require adjustments to or disclosure in the Financial Statements as at the reporting date.

47. Events after the Reporting Period

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

Dividend declaration

The Board of Directors has declared and approved a final dividend of LKR 1.40 per share for the year ended 31 March 2022 is recommended by the Board of Directors with the approval of Central Bank of Sri Lanka and the shareholders at the Annual General Meeting for the financial year ended 2021/22. In accordance with the LKAS 10, on "Events after the Reporting period" the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

47. Events after the Reporting Period (Continued)

Surcharge tax

The Bill governing the imposition and administration of the Surcharge Tax was published in the Gazette on 7 February 2022. The Surcharge Tax was proposed in the Budget 2022, as a one-time tax. Surcharge Tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold as specified in the Bill. There shall be levied a Surcharge Tax any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds LKR 2,000 Mn., for the year of assessment commenced on 1 April 2020, at the rate of 25% on the taxable income of such individual, partnership or company, for such year of assessment. The tax was imposed by No. 14 of 2022 Surcharge Tax Act which was passed by the Parliament of Sri Lanka on 7 April 2022. The Company or Group is not liable to the proposed tax implication. Accordingly no adjustment is required to the Financial Statement.

VAT on non-financial service

The rate of VAT on the import and/or supply of goods or supply of services is revised from 8% to 12% from 1 June 2022 as per the Gazette Notification No. 2282/26 dated 31 May 2022. Based on the liable threshold the Company may liable to VAT on non-financial services.

Social Security Contribution Levy (SSCL)

The Bill governing the imposition and administration of the Social Security Contribution Levy (SSCL) was published in the Gazette on 21 June 2022. The SSCL is a new tax proposed in the Budget 2022. SSCL is payable by the Company for every quarter on or after 1 July 2022 at the rate of 2.5% on the "liable turnover" which of aggregate turnover exceeds LKR 120,000,000 within the 12-months period immediately prior to the date of the operation of the Act.

48. Maturity Analysis

48.1 Company

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2022, 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 2022 LKR
Interest earning assets					
Cash and cash equivalents	627,213,024	–	–	–	627,213,024
Deposit with licensed commercial banks	923,708,493	1,561,212,055	4,304,421,955	–	6,789,342,503
Investment in Government and other securities	2,593,679,058	–	–	–	2,593,679,058
Finance leases, hire purchases, loans and advances	3,891,960,426	10,186,774,034	9,821,828,640	2,201,333,465	26,101,896,565
Total interest earning assets	8,036,561,001	11,747,986,089	14,126,250,595	2,201,333,465	36,112,131,150

48.1 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 2022 LKR
Non-interest earning assets					
Financial assets held at fair value through profit and loss	287,661,234	–	–	–	287,661,234
Financial assets measured at fair value through other comprehensive income	–	–	–	14,762,768	14,762,768
Investment in subsidiaries	–	–	–	328,301,663	328,301,663
Tangible and intangible assets	–	–	–	1,755,747,146	1,755,747,146
Right-of-use assets	25,151,521	68,573,442	145,603,537	121,745,834	361,074,334
Other receivables	117,713,602	19,755,843	–	259,199	137,728,644
Total non-interest earning assets	430,526,357	88,329,285	145,603,537	2,220,816,610	2,885,275,789
Total assets	8,467,087,358	11,836,315,374	14,271,854,132	4,422,150,075	38,997,406,939
Percentage as at 31 March 2022 (%)	22	30	37	11	100
Interest-bearing liabilities					
Deposits from customers	3,896,431,931	4,519,893,417	1,613,322,286	794,335,746	10,823,983,380
Bank overdrafts	207,593,583	–	–	–	207,593,583
Due to banks	944,965,839	1,288,213,911	3,863,122,778	387,500,000	6,483,802,528
Borrowings	2,889,494,617	1,805,833,870	4,613,757,209	1,138,509,322	10,447,595,018
Debt securities issued	18,547,190	–	1,750,000,000	–	1,768,547,190
Lease liability	24,738,451	66,767,315	137,504,133	128,207,056	357,216,955
Total interest-bearing liabilities	7,981,771,611	7,680,708,513	11,977,706,406	2,448,552,124	30,088,738,654
Non-interest-bearing liabilities	678,846,254	227,919,548	145,793,251	210,337,652	1,262,896,705
Total liabilities	8,660,617,865	7,908,628,061	12,123,499,657	2,658,889,776	31,351,635,359
Percentage as at 31 March 2022 (%)	22	20	31	7	80
Shareholders' funds	–	–	–	7,645,771,580	7,645,771,580
Total shareholders' funds and liabilities	8,660,617,865	7,908,628,061	12,123,499,657	10,304,661,356	38,997,406,939

Notes to the Financial Statements

48.2 Group

An analysis of the total assets employed and the total liabilities of the Company as at 31 March 2022, 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 2022 LKR
Interest earning assets					
Cash and cash equivalents	664,573,516	–	–	–	664,573,516
Deposit with licensed commercial banks	931,960,643	1,561,212,055	4,304,421,955	–	6,797,594,653
Investment in government and other securities	2,593,679,058	–	–	–	2,593,679,058
Finance leases, hire purchases, loans and advances	3,892,205,426	10,186,774,034	9,821,828,640	2,201,333,465	26,102,141,565
Total interest earning assets	8,082,418,643	11,747,986,089	14,126,250,595	2,201,333,465	36,157,988,792
Non-interest earning assets					
Financial assets held at fair value through profit and loss	355,645,146	–	–	–	355,645,146
Financial assets measured at fair value through other comprehensive income	–	–	–	14,762,768	14,762,768
Tangible and intangible assets	–	–	–	1,669,852,077	1,669,852,077
Right-of-use assets	26,770,560	73,430,551	152,079,684	121,745,834	374,026,629
Other receivables	78,015,552	20,336,399	–	259,200	98,611,151
Total non-interest earning assets	460,431,258	93,766,950	152,079,684	1,806,619,879	2,512,897,771
Total assets	8,542,849,901	11,841,753,039	14,278,330,279	4,007,953,344	38,670,886,563
Percentage as at 31 March 2022 (%)	22	31	37	10	100

48.2 Group (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 2022 LKR
Interest-bearing liabilities					
Deposits from customers	3,881,065,653	4,493,614,767	1,613,322,285	794,335,746	10,782,338,451
Bank overdrafts	207,593,583	–	–	–	207,593,583
Due to banks	944,965,839	1,288,213,911	3,863,122,778	387,500,000	6,483,802,528
Borrowings	2,889,494,617	1,805,833,870	4,613,757,209	1,138,509,322	10,447,595,018
Debt securities issued	18,547,190	–	1,750,000,000	–	1,768,547,190
Lease liability	26,270,908	71,634,586	146,039,464	128,207,056	372,152,014
Total interest-bearing liabilities	7,967,937,790	7,659,297,134	11,986,241,736	2,448,552,124	30,062,028,784
Non-interest-bearing liabilities	402,151,242	228,840,316	147,969,531	211,434,711	990,395,800
Total liabilities	8,370,089,032	7,888,137,450	12,134,211,267	2,659,986,835	31,052,424,584
Percentage as at 31 March 2022 (%)	22	20	31	7	80
Shareholders' funds	–	–	–	7,618,461,979	7,618,461,979
Total shareholders' funds and liabilities	8,370,089,032	7,888,137,450	12,134,211,267	10,278,448,814	38,670,886,563

49. 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 and hire purchase
- Pawning advances
- Other advances
- Investments
- Insurance brokering
- Unit trust management
- Unallocated

49. *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	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Revenue						
External customers						
Interest	5,051,873,898	5,106,546,761	231,820,960	238,529,007	347,192,107	259,504,396
Trading	–	–	–	–	–	–
Commissions	–	–	–	–	–	–
Rent	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Other income	11,717,118	12,077,330	–	–	–	–
Total revenue	5,063,591,016	5,118,624,091	231,820,960	238,529,007	347,192,107	259,504,396
Profit before tax						
Taxation						
Profit after tax						
Segment Assets	22,780,618,451	24,735,380,314	1,381,352,984	1,145,063,979	1,939,925,130	1,681,640,595
Segment Liabilities	25,088,184,660	25,912,534,891	1,148,585,467	1,207,529,818	1,720,206,009	1,313,715,678
Information on Cash Flows						
Operating activities	2,922,400,810	1,603,586,265	94,197,412	74,341,352	81,231,978	3,319,254
Investing activities	–	–	–	–	–	–
Capital expenditure	(72,886,296)	(109,783,566)	(4,419,621)	(5,082,162)	(6,206,766)	(7,463,661)
Financing activities	–	–	–	–	–	–
Net cash flow	2,849,514,514	1,493,802,699	89,777,791	69,259,190	75,025,212	(4,144,407)
Depreciation and amortisation	(342,998,699)	(364,610,341)	(20,798,482)	(16,878,745)	(29,208,680)	(24,788,119)
Impairment charges and other credit losses	(205,173,537)	(384,580,268)	(25,387,597)	2,561,516	(356,654,272)	(114,726,617)

Investments		Insurance brokering		Unit trust management		Unallocated		Total	
2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
389,814,133	373,981,769	615,972	864,395	511,851	292,984	–	–	6,021,828,921	5,979,719,312
27,346,748	129,438,277	–	–	(276,869)	4,227,074	18,665	17,780	27,088,544	133,683,131
–	–	116,483,895	137,424,944	66,469,776	47,523,034	25,051	65,380	182,978,722	185,013,358
27,996,610	21,624,362	–	–	–	–	–	–	27,996,610	21,624,362
2,692,871	4,591,627	–	–	–	–	–	–	2,692,871	4,591,627
1,510,127	14,923,334	–	1,431,156	–	–	170,399,122	81,144,678	183,626,367	109,576,498
449,360,489	544,559,369	117,099,867	139,720,495	66,704,758	52,043,092	170,442,838	81,227,838	6,446,212,035	6,434,208,288
								1,238,505,829	774,363,838
								(308,879,755)	(184,480,072)
								929,626,074	589,883,766
11,345,531,197	8,761,440,802	37,400,839	38,108,006	104,041,956	62,069,202	1,082,016,006	1,100,899,644	38,670,886,563	37,524,602,542
2,226,411,827	2,756,778,657	6,171,636	12,291,023	17,705,335	2,358,543	845,159,650	414,147,720	31,052,424,584	31,619,356,330
(1,248,661,272)	(3,931,140,923)	25,178,998	55,980,260	24,212,092	28,701,685	(367,875,749)	(196,936,244)	1,530,684,269	(2,362,148,351)
234,591,793	(832,165)	–	–	–	–	–	–	234,591,793	(832,165)
(36,299,882)	(38,886,089)	–	–	(6,901,836)	(3,749,886)	(3,461,896)	(4,886,146)	(130,176,297)	(169,851,510)
–	–	–	–	–	–	(1,745,661,714)	2,536,466,588	(1,745,661,714)	2,536,466,588
(1,050,369,361)	(3,970,859,177)	25,178,998	55,980,260	17,310,256	24,951,799	(2,116,999,359)	2,334,644,198	(110,561,949)	3,634,562
(4,228,749)	(4,228,748)	(1,257,937)	(1,256,694)	(7,785,557)	(188,203)	(16,291,484)	(16,227,743)	(422,569,588)	(428,178,593)
(9,415,448)	19,235	–	–	–	–	(48,689)	46,423	(596,679,543)	(496,679,711)

50. Financial Instruments – Fair Values

A. Accounting classifications and fair values – Company

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		
As at 31 March 2022	Designated at FVTPL LKR	Designated at FVOCI LKR	Financial assets at amortised cost LKR
Financial assets measured at fair value			
Investments in equity securities – Quoted	53,068,592	–	–
Investments in equity securities – Unquoted	–	14,762,768	–
Investments in unit trust – Unquoted	234,592,642	–	–
	287,661,234	14,762,768	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	627,213,024
Deposit with licensed commercial banks	–	–	6,789,342,503
Repurchase agreements	–	–	1,557,904,480
Finance lease, hire purchase and other loans	–	–	25,683,911,899
Other advances	–	–	417,984,666
Treasury bills	–	–	1,035,774,578
	–	–	36,112,131,150
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Term deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Subordinated debentures	–	–	–
Amounts due to related party	–	–	–
Other liabilities	–	–	–
	–	–	–

Carrying amount		Fair value			
Other financial liabilities LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
–	53,068,592	53,068,592	–	–	53,068,592
–	14,762,768	–	–	14,762,768	14,762,768
–	234,592,642	–	234,592,642	–	234,592,642
–	302,424,002	53,068,592	234,592,642	14,762,768	302,424,002
–	627,213,024	–	–	–	–
–	6,789,342,503	–	–	–	–
–	1,557,904,480	–	–	–	–
–	25,683,911,899	–	–	–	–
–	417,984,666	–	–	–	–
–	1,035,774,578	1,039,068,000	–	–	1,039,068,000
–	36,112,131,150	1,039,068,000	–	–	1,039,068,000
6,691,396,111	6,691,396,111	–	–	–	–
10,084,941,641	10,084,941,641	–	–	12,683,867,582	12,683,867,582
739,041,739	739,041,739	–	–	–	–
10,447,595,018	10,447,595,018	–	–	–	–
1,768,547,190	1,768,547,190	–	–	1,885,608,086	1,885,608,086
282,122,456	282,122,456	–	–	–	–
321,734,938	321,734,938	–	–	–	–
30,335,379,093	30,335,379,093	–	–	14,569,475,668	14,569,475,668

50. *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.

As at 31 March 2021	Carrying amount		
	Designated at FVTPL LKR	Designated at FVOCI LKR	Financial assets at amortised cost 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	–	–	196,250,503
Treasury bills	–	–	1,017,212,400
	–	–	34,549,505,116
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Subordinated debentures	–	–	–
Amounts due to related party	–	–	–
Other liabilities	–	–	–
	–	–	–

Carrying amount		Fair value			
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	429,330,847	15,464,873	523,974,337
–	606,071,689	–	–	–	–
–	4,591,535,045	–	–	–	–
–	576,350,591	–	–	–	–
–	27,226,101,233	–	–	–	–
–	335,983,655	–	–	–	–
–	196,250,503	197,353,668	–	–	197,353,668
–	1,017,212,400	1,013,452,051	–	–	1,013,452,051
–	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
282,122,456	282,122,456	–	–	–	–
339,472,627	339,472,627	–	–	–	–
30,872,276,234	30,872,276,234	–	–	13,336,006,742	13,336,006,742

50. Financial Instruments – Fair Values (Continued)

B. Accounting classifications and fair values – Group

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount		
As at 31 March 2022	Designated at FVTPL LKR	Designated at FVOCI LKR	Financial assets at amortised cost LKR
Financial assets measured at fair value			
Investments in equity securities – Quoted	**53,068,592**	–	–
Investments in equity securities – Unquoted	–	**14,762,768**	–
Investments in unit trust – Unquoted	**302,576,554**	–	–
	355,645,146	**14,762,768**	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	**664,573,516**
Deposit with licensed commercial banks	–	–	**6,797,594,653**
Repurchase agreements	–	–	**1,557,904,480**
Finance lease, Hire purchase and other loans	–	–	**25,683,911,899**
Other advances	–	–	**418,229,666**
Treasury bills	–	–	**1,035,774,578**
	–	–	**36,157,988,792**
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Term deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Subordinated debentures	–	–	–
Other liabilities	–	–	–
	–	–	–

Carrying amount		Fair value			
Other financial liabilities LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
–	53,068,592	53,068,592	–	–	53,068,592
–	14,762,768	–	–	14,762,768	14,762,768
–	302,576,554	–	302,576,554	–	302,576,554
–	370,407,914	53,068,592	302,576,554	14,762,768	370,407,914
–	664,573,516	–	–	–	–
–	6,797,594,653	–	–	–	–
–	1,557,904,480	–	–	–	–
–	25,683,911,899	–	–	–	–
–	418,229,666	–	–	–	–
–	1,035,774,578	1,039,068,000	–	–	1,039,068,000
–	36,157,988,792	1,039,068,000	–	–	1,039,068,000
6,691,396,111	6,691,396,111	–	–	–	–
10,043,296,712	10,043,296,712	–	–	12,639,648,881	12,639,648,881
739,041,739	739,041,739	–	–	–	–
10,447,595,018	10,447,595,018	–	–	–	–
1,768,547,190	1,768,547,190	–	–	1,885,608,086	1,885,608,086
321,734,938	321,734,938	–	–	–	–
30,011,611,708	30,011,611,708	–	–	14,525,256,967	14,525,256,967

50. *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 2021	Designated at FVTPL LKR	Designated at FVOCI LKR	Financial assets at amortised cost 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	–	–	27,226,101,233
Other advances	–	–	336,258,665
Treasury bonds	–	–	196,250,503
Treasury bills	–	–	1,017,212,400
	–	–	34,591,253,072
Financial liabilities not measured at fair value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Borrowings	–	–	–
Subordinated debentures	–	–	–
Other liabilities	–	–	–
	–	–	–

Carrying amount		Fair value			
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	479,183,575	15,464,873	573,827,065
–	647,544,645	–	–	–	–
–	4,591,535,045	–	–	–	–
–	576,350,591	–	–	–	–
–	27,226,101,233	–	–	–	–
–	336,258,655	–	–	–	–
–	196,250,503	197,353,668	–	–	197,353,668
–	1,017,212,400	1,013,452,051	–	–	1,013,452,051
–	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
339,472,627	339,472,627	–	–	–	–
30,532,299,082	30,532,299,082	–	–	13,278,149,580	13,278,149,580

50. 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. Interest rate varied from 4.93% to 6.42%.	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 7.00% to 12.70%.	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
Financial asset at FVOCI	Based on the Net Assets Value (NAV) approach.	Net assets per share of the Company. Senkadagala Hotel NAV per share 31 March 2022 LKR 70/- (2021 – LKR 73/-).	The estimated fair value would increase/(decrease) based on NAV.

*** 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

50. Financial Instruments – Fair Values (Continued)

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 financial institutions	Discounted cash flows using prevailing current market rates for similar financial instruments.	Average effective interest rate based on the maturity of deposits. Interest rate varied from 4.93% to 8.25%.	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 7.00% to 12.70%.	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
Financial asset at FVOCI	Based on the Net Assets Value (NAV) approach	Net assets per share of the Company. Senkadagala Hotel NAV per share 31 March 2022 LKR 70/- (2021 – LKR 73/-).	The estimated fair value would increase/(decrease) based on NAV.

*** 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

51. Risk Management

51.1 Introduction

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. Risk is an integral component of the business model of any finance company. Purpose of risk management is that the institution properly identifies, measures and manages risk and maintain adequate records on all efforts to ensure the extent of risks assumed is compensated with adequate return.

With this in mind, the Company has established and operates mechanisms, to ensure the effectiveness of on-going assessment of relevant risk types on an individual basis and on 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 for deviation.
- The compliance of the Company's operations with relevant laws, regulations and standards

The Company is primarily exposed to credit risk, market risk, liquidity risk, operational risk and regulatory risk.

51.2 Credit risk

Credit risk is the probable loss that may arise if borrower is unable to meet the 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.

The Company's Management is closely monitoring the outcomes of adverse economic conditions caused by the prevailing current market conditions proactively, whilst achieving the risk-return objectives of the Company. This has been proven through the Company's ability to maintain its NPL at a lower level compared to the industry average. The Company has always acted with due care and taken prudent measures to ensure an effective, efficient and healthy repayments by credit customers while safeguarding the interests of other stakeholders.

51.2 Credit risk (Continued)

Impairment assessment

Individually assessed allowances

The allowances appropriate for each individually significant lease and loan advances 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 inline 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 2022, the base case assumptions have been updated to reflect the rapidly evolving economic condition using relevant forecasts. In addition to the base case forecast which reflects the adverse economic condition, 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 added to the modelled ECL provision considering the prevailing uncertain and volatile macroeconomic environment including COVID-19 Pandemic 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 subsequently 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.

Notes to the Financial Statements

51.2.1 Credit quality by class of financial assets

Table below shows the classification of assets based on the above-mentioned three stage model.

Company

As at 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – Credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	627,213,024	–	–	627,213,024
Deposit with licensed commercial banks	6,789,342,503	–	–	6,789,342,503
Repurchase agreements	1,557,904,480	–	–	1,557,904,480
Financial assets held at fair value through profit or loss	287,661,234	–	–	287,661,234
Finance leases, hire purchases, loans and advances	16,397,939,536	7,295,095,446	2,408,861,583	26,101,896,565
Financial assets measured at fair value through comprehensive income	14,762,768	–	–	14,762,768
Financial assets at amortised cost – Other financial instruments	1,035,774,578	–	–	1,035,774,578
Total financial assets	26,710,598,123	7,295,095,446	2,408,861,583	36,414,555,152

As at 31 March 2021	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – Credit impaired LKR	Total LKR
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
Finance leases, hire purchases, 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

51.2.1 *Credit quality by class of financial assets (Continued)*

Group

As at 31 March 2022	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – Credit impaired LKR	Total LKR
Assets				
Cash and cash equivalents	664,573,516	–	–	664,573,516
Deposit with licensed commercial banks	6,797,594,653	–	–	6,797,594,653
Repurchase agreements	1,557,904,480	–	–	1,557,904,480
Financial assets held at fair value through profit or loss	355,645,146	–	–	355,645,146
Finance leases, hire purchases, loans and advances	16,398,184,536	7,295,095,446	2,408,861,583	26,102,141,565
Financial assets measured at fair value through comprehensive income	14,762,768	–	–	14,762,768
Financial assets at amortised cost – Other financial instruments	1,035,774,578	–	–	1,035,774,578
Total financial assets	26,824,439,677	7,295,095,446	2,408,861,583	36,528,396,706

As at 31 March 2021	12-month ECL LKR	Lifetime ECL – Not credit impaired LKR	Lifetime ECL – Credit impaired LKR	Total LKR
Cash and cash equivalents	647,544,645	–	–	647,544,645
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	558,362,192	–	–	558,362,192
Finance leases, hire purchases, loans and advances	15,910,722,196	8,604,211,474	3,047,426,218	27,562,359,888
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	23,513,442,445	8,604,211,474	3,047,426,218	35,165,080,137

51.2.2 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 2022 %	2021 %	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	Fixed deposits under lien

51.2.3 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	2022 LKR	2021 LKR
Gross carrying amount	20,215,459	2,978,987
Total gross loans and receivables	28,803,612,305	29,642,775,487
Percentage of renegotiated loans (%)	0.07	0.01

Notes to the Financial Statements

51.2.4 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 minimise the credit risk by monitoring the credit worthiness of the underlying counterparties periodically.

With the current situation, declining foreign reserves, significant government loan dues, downgrading of the sovereign rating of Sri Lanka have adversely affected by the economy of the country, therefore, impairment of foreign deposits is recognised which is in Note 20.1

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, government, and other securities.

	Company		Group	
As at 31 March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Credit rating				
Risk fee	2,593,679,058	576,350,591	2,593,679,057	576,350,591
AAA	7,492,714	4,383,904	15,744,864	4,383,904
AA+	–	4,535,350,578	-	4,535,350,578
AA	–	–	-	-
AA-	7,066,824,926	479,437,538	7,103,776,238	519,557,046
A+	4,022,833	58,768,514	4,022,833	58,768,514
A	1,595,628	29,425	1,958,882	1,316,244
BBB-	87,224	139,891	87,224	139,891
Unrated	–	–	-	-
	9,673,702,383	5,654,460,441	9,719,269,098	5,695,866,767

Notes to the Financial Statements

51.3 Market risk

Market risk is the risk of potential losses accruing through adverse fluctuation in market interest rates, equity prices and exchange rates. Out of these markets risks, the more frequent and most likely is the risk of adverse fluctuation of interest rates. The effect of such adverse movements could have an immediate and direct bearing on the Company. The Company routinely assesses its assets and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the assets and liability structure are undertaken. Overall authority for market risk management is vested in the Integrated Risk Management Committee (IRMC) of the Company.

51.3.1 Interest rate risk

Interest rate risk arises from probable changes in interest rates and its effect on 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.

With interest rates rising from August 2021 onwards, the management of the Company is closely monitoring the interest rate and its effect on the interest rate sensitive asset and liabilities. In order to ensure interest rate margins and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

Subsequent to the reporting date, the Government's policy rates were significantly increased and the impact of rising lending and deposits interest rate risk did not materialise in the current financial year but the effects of the interest rate shock would have a significant impact next year.

51.3.2 Financial assets and Financial liabilities exposed to interest rate risk

The table below analyse the Company's interest rate risk exposure on financial assets and financial liabilities. The Company's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual repricing or maturity dates.

51.3.2 *Financial assets and Financial liabilities exposed to interest rate risk (Continued)*

Company

As at 31 March 2022	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non-sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	494,361,232	–	–	–	132,851,792	627,213,024
Deposits with licensed commercial banks	923,708,493	1,561,212,055	4,304,421,955	–	–	6,789,342,503
Investment in government and other securities	2,593,679,058	–	–	–	–	2,593,679,058
Finance leases, hire purchases, loans and advances	3,891,960,426	10,186,774,034	9,821,828,640	2,201,333,465	–	26,101,896,565
Financial assets held at fair value through profit or loss	–	–	–	–	287,661,234	287,661,234
Financial assets measured at fair value through other comprehensive income	–	–	–	–	14,762,768	14,762,768
Total financial assets	7,903,709,209	11,747,986,089	14,126,250,595	2,201,333,465	435,275,794	36,414,555,152
Financial liabilities						
Deposits from customers	3,896,431,931	4,519,893,417	1,613,322,286	794,335,746	–	10,823,983,380
Bank overdrafts	207,593,583	–	–	–	–	207,593,583
Due to banks and other borrowed funds	5,051,073,456	6,972,001,797	3,519,812,970	1,388,509,323	–	16,931,397,546
Debt instruments issued	18,547,190	–	1,750,000,000	–	–	1,768,547,190
Lease liability	24,738,451	66,767,315	137,504,133	128,207,056	–	357,216,955
Amounts due to related party	–	–	–	–	282,122,456	282,122,456
Other liabilities	–	–	–	–	321,734,938	321,734,938
Total financial liabilities	9,198,384,611	11,558,662,529	7,020,639,389	2,311,052,125	603,857,394	30,692,596,048
Total interest sensitivity gap	(1,294,675,402)	189,323,560	7,105,611,206	(109,718,660)	(168,581,600)	5,721,959,104
Cumulative gap	(1,294,675,402)	(1,105,351,842)	6,000,259,364	5,890,540,704	5,721,959,104	

51.3.2 Financial assets and Financial liabilities exposed to interest rate risk (Continued)

Company

As at 31 March 2021	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non-sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	486,468,293	–	–	–	119,603,396	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
Investment in government and other securities	772,601,094	1,017,212,400	–	–	–	1,789,813,494
Finance leases, hire purchases, 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 held at fair value through profit or loss	–	–	–	–	508,509,464	508,509,464
Financial assets measured at fair value through other comprehensive income	–	–	–	–	15,464,873	15,464,873
Total financial assets	5,917,792,545	11,684,086,698	13,619,662,520	3,208,359,957	643,577,733	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	7,122,763,957	2,168,432,568	5,050,503,955	2,514,280,860	–	16,855,981,340
Debt instruments issued	18,323,395	–	–	1,750,000,000	–	1,768,323,395
Lease liability	21,215,101	62,943,858	138,245,096	155,096,362	–	377,500,417
Amounts due to related party	–	–	–	–	282,185,096	282,185,096
Other liabilities	–	–	–	–	339,472,627	339,472,627
Total financial liabilities	9,840,666,118	8,434,883,705	6,860,623,596	5,492,008,148	621,657,723	31,249,839,290
Total interest sensitivity gap	(3,922,873,573)	3,249,202,993	6,759,038,924	(2,283,648,191)	21,920,010	3,823,640,163
Cumulative gap	(3,922,873,573)	(673,670,580)	6,085,368,344	3,801,720,153	3,823,640,163	

51.3.2 *Financial assets and Financial liabilities exposed to interest rate risk (Continued)*

Group

As at 31 March 2022	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non-sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	531,675,798	–	–	–	132,897,718	664,573,516
Deposits with licensed commercial banks	931,960,643	1,561,212,055	4,304,421,955	–	–	6,797,594,653
Investment in government and other securities	2,593,679,058	–	–	–	–	2,593,679,058
Finance leases, hire purchases, loans and advances	3,892,205,426	10,186,774,034	9,821,828,640	2,201,333,465	–	26,102,141,565
Financial assets held at fair value through profit or loss	–	–	–	–	355,645,146	355,645,146
Financial assets measured at fair value through other comprehensive income	–	–	–	–	14,762,768	14,762,768
Total financial assets	7,949,520,925	11,747,986,089	14,126,250,595	2,201,333,465	503,305,632	36,528,396,706
Financial liabilities						
Deposits from customers	3,881,065,653	4,493,614,767	1,613,322,285	794,335,746	–	10,782,338,451
Bank overdrafts	207,593,583	–	–	–	–	207,593,583
Due to banks and other borrowed funds	5,051,073,456	6,972,001,797	3,519,812,970	1,388,509,323		16,931,397,546
Debt instruments issued	18,547,190	–	1,750,000,000	–	–	1,768,547,190
Lease liability	26,270,908	71,634,586	146,039,464	128,207,056	–	372,152,014
Other liabilities	–	–	–	–	321,734,938	321,734,938
Total financial liabilities	9,184,550,790	11,537,251,150	7,029,174,719	2,311,052,125	321,734,938	30,383,763,722
Total interest sensitivity gap	(1,235,029,865)	210,734,939	7,097,075,876	(109,718,660)	181,570,694	6,144,632,984
Cumulative gap	(1,235,029,865)	(1,024,294,926)	6,072,780,950	5,963,062,290	6,144,632,984	

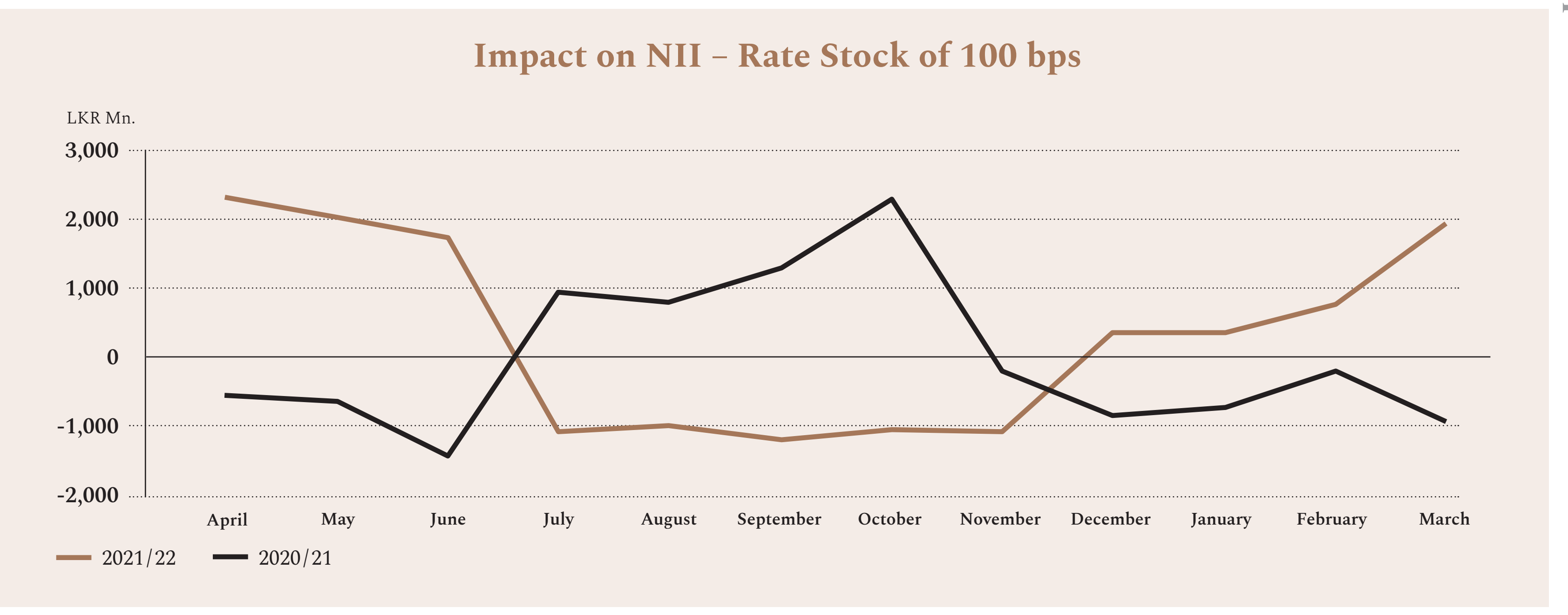
51.3.2 *Financial assets and Financial liabilities exposed to interest rate risk (Continued)*

Group

As at 31 March 2021	Up to 3 months LKR	3 to 12 months LKR	1 to 3 years LKR	More than 3 years LKR	Non-sensitive LKR	Total LKR
Financial assets						
Cash and cash equivalents	527,874,620	–	–	–	119,670,025	647,544,645
Deposits 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
Finance leases, hire purchases, loans and advances	3,937,640,524	10,113,992,152	11,408,132,343	2,102,594,869	–	27,562,359,888
Financial assets held at fair value through profit or loss	–	–	–	–	558,362,192	558,362,192
Financial assets measured at fair value through other comprehensive income	–	–	–	–	15,464,873	15,464,873
Total financial assets	5,959,473,872	11,684,086,698	13,619,662,520	3,208,359,957	693,497,090	35,165,080,137
Financial 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 and other borrowed funds	7,122,763,958	2,168,432,568	5,050,503,955	2,514,280,860	–	16,855,981,341
Debt instruments issued	18,323,395	–	–	1,750,000,000	–	1,768,323,395
Lease liability	21,215,101	62,943,858	138,245,096	155,096,362	–	377,500,417
Other liabilities	0	0	0	0	339,472,627	339,472,627
Total financial liabilities	9,810,214,805	8,407,480,323	6,860,623,596	5,492,008,148	339,472,627	30,909,799,499
Total interest sensitivity gap	(3,850,740,933)	3,276,606,375	6,759,038,924	(2,283,648,191)	354,024,463	4,255,280,638
Cumulative gap	(3,850,740,933)	(574,134,558)	6,184,904,366	3,901,256,175	4,255,280,638	

51.3.3 Interest rate sensitivity

The graph below depicts the sensitivity analysis carried out on the Statement of Financial Position as at 31 March 2022 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.



Sensitivity to projected net interest income	100 bp parallel increase/decrease*	
	2022 LKR '000	2021 LKR '000
As at 31 March	+/- 1,961	+/- 955
Average for the period	+/- 337	+/- 24
Maximum for the period	+/- 2,328	+/- 2,318
Minimum for the period	+/-1,216	+/-1,441

** - 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.

51.3.4 Interest rate benchmark reform Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7 and SLFRS 16)

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). The Company has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives. The main risks to which the Company has been exposed as a result of IBOR reform are operational. There are some foreign currency denominated loans obtained from foreign borrowers and thus financial risk is predominantly limited to interest rate risk. Company Risk Committee identify operational and regulatory risks arising from IBOR reform. As at 31 March 2022, the IBOR reform in respect of currencies to which the Company has exposure is in the process of reforming. The table below sets out the IBOR rates that the Company had exposure to, the new benchmark rates to which these exposures have or are being transitioned.

Currency	Benchmark before reform	Benchmark after reform	Status
USD	USD LIBOR	SOFR	In progress

The Company's exposure to interest rate benchmarks subject to IBOR reform is limited to USD LIBOR rates and foreign currency denominated loans are exposed to this as at 31 March 2022.

51.4 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 since February 2022, as a result of current economic conditions. The Management analyses the impact to the Company on regular basis to identify and manage any unfavorable impacts of foreign exchange movement.

51.4.1 Exchange rate risk

The Company's exposure to foreign currency risk is as follows:

As at 31 March	LKR	Spot rate	USD
Cash and cash equivalents	107,215	299	359
Deposits with licensed commercial banks	6,798,603,529	299	22,737,804
Borrowings	6,551,688,837	299	21,912,003

The Company has fully hedged the foreign currency exposures by placing dollar deposits with banks to coincide with the loan repayment as they fall due.

Notes to the Financial Statements

51.4.2 Foreign currency sensitivity

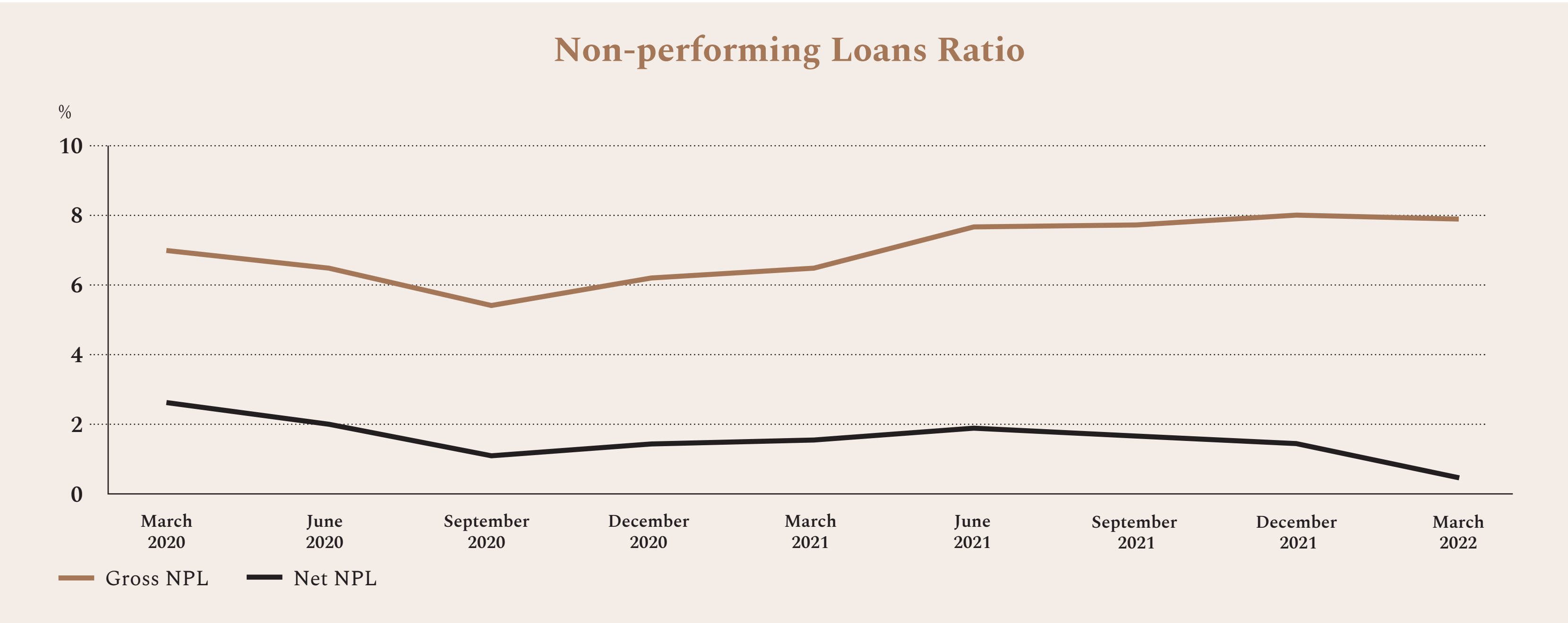
An estimation of the impact of the currency risk with respect of financial instrument with a 5% change in US Dollar exchange rate is given below. In calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31 March 2022.

As at 31 March	Effect on profit or loss LKR	Effect on Equity LKR
USD depreciated against LKR by 5%	12,351,025	12,351,025
USD appreciated against LKR by 5%	(12,351,025)	(12,351,025)

51.5 Non-performing loans ratio

Non-performing loans percentage movement which depicts the quality of the loan portfolio of the Company during the financial year.

The gross non-performing loans 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 Loans Ratio specific provisions are deducted from the numerator of the above formula.



51.5.1 Industry analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31 March 2022:

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
Company						
Agriculture	–	–	1,452,138,439	–	–	1,452,138,439
Manufacturing	–	3,162,141	5,442,414,405	–	–	5,445,576,546
Construction	–	–	1,153,316,458	–	–	1,153,316,458
Financial services	8,974,460,007	259,114,691	1,531,543,939	–	–	10,765,118,637
Trading	–	169,400	6,071,598,814	–	–	6,071,768,214
Retail	–	5,472,869	1,419,418,811	–	–	1,424,891,680
Government	–	–	–	–	1,035,774,578	1,035,774,578
Hotels	–	4,447,202	324,308,652	14,472,182	–	343,228,036
Services	–	15,294,931	8,707,157,047	290,586	–	8,722,742,564
Total	8,974,460,007	287,661,234	26,101,896,565	14,762,768	1,035,774,578	36,414,555,152
Group						
Agriculture	–	–	1,452,138,439	–	–	1,452,138,439
Manufacturing	–	3,162,141	5,442,414,405	–	–	5,445,576,546
Construction	–	–	1,153,316,458	–	–	1,153,316,458
Financial services	9,020,072,649	327,098,603	1,531,543,939	–	–	10,878,715,191
Trading	–	169,400	6,071,598,814	–	–	6,071,768,214
Retail	–	5,472,869	1,419,418,811	–	–	1,424,891,680
Government	–	–	–	–	1,035,774,578	1,035,774,578
Hotels	–	4,447,202	324,308,652	14,472,182	–	343,228,036
Services	–	15,294,931	8,707,402,047	290,586	–	8,722,987,564
Total	9,020,072,649	355,645,146	26,102,141,565	14,762,768	1,035,774,578	36,528,396,706

***Provincial breakdown for (01) loans and advances (02) lease rentals receivable and stock out on hire from customers within Sri Lanka is as follows:*

51.5.1 *Industry analysis (Continued)*

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 locations 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 2022	
	Company LKR	Group LKR
Central	2,601,529,880	2,601,529,880
Eastern	1,635,989,558	1,635,989,558
North Central	1,435,186,208	1,435,186,208
North Western	2,350,566,819	2,350,566,819
Northern	1,140,693,217	1,140,693,217
Sabaragamuwa	2,585,278,142	2,585,278,142
Southern	1,907,754,200	1,907,754,200
Uva	1,479,250,325	1,479,250,325
Western	10,965,648,216	10,965,893,216
Total	26,101,896,565	26,102,141,565

Notes to the Financial Statements

51.5.2 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 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.

The Management regularly monitors the liquidity position of the Company and the Company has secured an adequate buffer of liquid assets and has undrawn credit lines which is in satisfactory levels to withstand the prevailing economic conditions.

51.5.3 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 2022, the Company maintained Government Securities to average deposit liabilities and borrowings ratio of 18.19% (2021 – 11.25%).

51.5.4 Financial assets and liabilities by remaining contractual maturities

The following tables illustrate the maturity gap analysis of financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31 March 2022.

Company

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	627,213,024	627,213,024	–	–	–	627,213,024
Deposits with licensed commercial banks	6,789,342,503	838,631,160	1,627,488,868	4,817,342,636	–	7,283,462,664
Repurchase agreements	1,557,904,480	1,558,526,594	–	–	–	1,558,526,594
Financial assets held at fair value through profit or loss	287,661,234	287,661,234	–	–	–	287,661,234
Financial assets at amortised cost – Loans and advances	26,101,896,565	4,311,177,883	10,967,626,975	6,580,626,708	9,973,022,674	31,832,454,240
Financial assets measured at fair value through other comprehensive income	14,762,768	–	–	–	14,762,768	14,762,768
Financial assets at amortised cost – Other financial instruments	1,035,774,578	1,036,000,000	–	–	–	1,036,000,000
Total financial assets	36,414,555,152	8,659,209,895	12,595,115,844	11,397,969,343	9,987,785,442	42,640,080,524
Financial liabilities						
Deposits from customers	10,823,983,380	4,073,429,015	4,994,924,881	1,940,963,937	1,233,547,303	12,242,865,137
Bank overdrafts	207,593,583	207,593,583	–	–	–	207,593,583
Due to banks and other borrowed funds	16,931,397,546	2,631,052,816	3,986,394,816	10,538,908,153	2,691,458,249	19,847,814,034
Debt instruments issued	1,768,547,190	–	112,964,897	2,201,242,295	–	2,314,207,192
Lease liability	357,216,955	29,797,466	81,968,577	174,255,039	176,562,733	462,583,814
Amounts due to related party	282,122,456	282,122,456	–	–	–	282,122,456
Other liabilities	321,734,938	321,734,938	–	–	–	321,734,938
Total financial liabilities	30,692,596,048	7,545,730,274	9,176,253,171	14,855,369,423	4,101,568,285	35,678,921,154

51.5.4 Financial assets and liabilities by remaining contractual maturities (Continued)

Group

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Financial assets						
Cash and cash equivalents	664,573,516	664,573,516	–	–	–	664,573,516
Deposits with licensed commercial banks	6,797,594,653	846,978,431	1,627,488,868	4,817,342,636	–	7,291,809,935
Repurchase agreements	1,557,904,480	1,558,526,594	–	–	–	1,558,526,594
Financial assets held at fair value through profit or loss	355,645,146	355,645,146	–	–	–	355,645,146
Financial assets at amortised cost – Loans and advances	26,102,141,565	4,311,177,883	10,967,871,975	6,580,626,708	9,973,022,674	31,832,699,240
Financial assets measured at fair value through other comprehensive income	14,762,768	–	–	–	14,762,768	14,762,768
Financial assets at amortised cost – Other financial instruments	1,035,774,578	1,036,000,000	–	–	–	1,036,000,000
Total financial assets	36,528,396,706	8,772,901,570	12,595,360,844	11,397,969,343	9,987,785,442	42,754,017,199
Financial liabilities						
Deposits from customers	10,782,338,451	4,073,429,015	4,952,330,632	1,940,963,937	1,233,547,303	12,200,270,887
Bank overdrafts	207,593,583	207,593,583	–	–	–	207,593,583
Due to banks and other borrowed funds	16,931,397,546	2,631,052,816	3,986,394,816	10,538,908,153	2,691,458,249	19,847,814,034
Debt instruments issued	1,768,547,190	–	112,964,897	2,201,242,295	–	2,314,207,192
Lease liability	372,152,014	31,741,466	87,800,577	183,327,039	176,562,733	479,431,814
Other liabilities	321,734,938	321,734,938	–	–	–	321,734,938
Total financial liabilities	30,383,763,722	7,265,551,818	9,139,490,922	14,864,441,423	4,101,568,285	35,371,052,448

51.5.4 *Financial assets and liabilities by remaining contractual maturities (Continued)*

The following tables illustrate the maturity gap analysis of Company's and Group's financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31 March 2021.

Company

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Cash and cash equivalents	606,071,689	606,071,689	–	–	–	606,071,689
Deposits with licensed commercial banks	4,591,535,045	56,461,478	569,470,183	1,713,364,330	–	2,339,295,991
Repurchase agreements	576,350,591	576,483,482	–	–	–	576,483,482
Financial assets held at fair value through profit or loss	508,509,464	508,509,464	–	–	–	508,509,464
Financial assets at amortised cost – Loans and advances	27,562,084,888	4,471,222,580	11,773,956,194	14,671,640,814	2,964,491,848	33,881,311,436
Financial assets measured at fair value through other comprehensive income	15,464,873	–	–	–	15,464,873	15,464,873
Financial assets at amortised cost – Other financial instruments	1,213,462,903	1,219,563,557	–	–	–	1,219,563,557
Total financial assets	35,073,479,453	7,438,312,251	12,343,426,377	16,385,005,144	2,979,956,721	39,146,700,493
Financial liabilities						
Deposits from customers	11,546,422,341	2,694,091,799	6,666,891,593	2,177,679,153	1,549,269,118	13,087,931,663
Bank overdrafts	79,954,074	79,954,074	–	–	–	79,954,074
Due to banks and other borrowed funds	16,855,981,341	2,994,329,216	3,368,348,154	8,589,430,903	3,624,504,760	18,576,613,033
Debt instruments issued	1,768,323,395	–	112,964,897	450,625,000	1,863,582,192	2,427,172,089
Lease liability	377,500,417	29,429,874	85,698,715	184,822,145	131,876,163	431,826,897
Amounts due to related party	282,122,456	282,122,456	–	–	–	282,122,456
Other liabilities	339,472,627	339,472,627	–	–	–	339,472,627
Total financial liabilities	31,249,776,651	6,419,400,047	10,233,903,359	11,402,557,201	7,169,232,233	35,225,092,839

51.5.4 *Financial assets and liabilities by remaining contractual maturities (Continued)*

Group

	Carrying value LKR	Less than 3 months LKR	3-12 months LKR	1-3 years LKR	Over 3 years LKR	Total nominal value LKR
Cash and cash equivalents	647,544,645	647,544,645	–	–	–	647,544,645
Deposits with licensed commercial banks	4,591,535,045	64,808,749	569,470,183	1,713,364,330	–	2,347,643,262
Repurchase agreements	576,350,591	576,483,482	–	–	–	576,483,482
Financial assets held at fair value through profit or loss	558,362,192	558,362,192	–	–	–	558,362,192
Financial assets at amortised cost – Loans and advances	27,562,359,888	4,471,222,580	11,774,201,194	14,671,640,814	2,964,491,848	33,881,556,436
Financial assets measured at fair value through other comprehensive income	15,464,873	–	–	–	15,464,873	15,464,873
Financial assets at amortised cost – Other financial instruments	1,213,462,903	1,219,563,557	–	–	–	1,219,563,557
Total financial assets	35,165,080,137	7,537,985,206	12,343,671,377	16,385,005,144	2,979,956,721	39,246,618,448
Financial liabilities						
Deposits from customers	11,488,567,645	2,663,526,132	6,638,932,193	2,177,679,153	1,549,269,118	13,029,406,597
Bank overdrafts	79,954,074	79,954,074	–	–	–	79,954,074
Due to banks and other borrowed funds	16,855,981,341	2,994,329,216	3,368,348,154	8,589,430,903	3,624,504,760	18,576,613,033
Debt instruments issued	1,768,323,395	–	112,964,897	450,625,000	1,863,582,192	2,427,172,089
Lease liability	377,500,417	29,429,874	85,698,715	184,822,145	131,876,163	431,826,897
Other liabilities	339,472,627	339,472,627	–	–	–	339,472,627
Total financial liabilities	30,909,799,499	6,106,711,924	10,205,943,959	11,402,557,201	7,169,232,233	34,884,445,317

51.6 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 46 Mn. of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater than 25% of total deposit liabilities, only LKR 46 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 2022 its Capital at a level not less than 11% of its risk weighted assets and the core capital at a level not less than 7% of risk weighted assets. The ratios as at 31 March 2022 were 22.75% and 26.89% and as at 31 March 2021 were 16.69% and 21.66% respectively. Detailed calculations are given below:

Total risk-weighted amount

Risk-weighted amount for credit risk	Amount LKR	Credit equivalent of off-balance sheet items LKR	Total LKR	Risk-weighted assets LKR	RWA density %
Claims on Government of Sri Lanka, public sector entities and Central Bank of Sri Lanka	2,593,679,058	–	2,593,679,058	–	0
Claims on financial institutions	7,283,703,738	–	7,283,703,738	1,456,740,748	20
Claims on corporates	560,684,780	–	560,684,780	558,775,262	100
Retail claims	24,153,391,675	–	24,153,391,675	22,877,144,288	95
Non-Performing loans (NPLs)	1,406,274,187	–	1,406,274,187	1,553,765,017	110
Notes and coins	132,851,792	–	132,851,792	–	0
Fixed assets	1,691,717,012	–	1,691,717,012	1,691,717,012	100
Other assets/exposures	498,802,978	–	498,802,978	498,802,978	100
Total risk-weighted amount for credit risk	38,321,105,220	–	38,321,105,220	28,636,945,305	

51.6 Capital and capital adequacy (Continued)

Risk-weighted amount for operational risk

As at 31 March	2022 LKR	2021 LKR	2020 LKR	Total LKR
Interest income	6,020,701,098	5,978,561,933	6,533,974,238	18,533,237,269
Interest expenses	(2,430,425,436)	(3,215,269,432)	(3,681,611,333)	(9,327,306,201)
Non-interest income	323,848,208	363,593,935	220,711,727	908,153,870
Realised losses/(gains) from the sale of securities	(87,745,348)	(46,126,377)	2,296,371	(131,575,354)
Extraordinary/irregular item of income	(1,510,127)	(14,923,334)	(13,468,382)	(29,901,843)
Gross income	3,824,868,395	3,065,836,725	3,061,902,621	9,952,607,741
Average gross income for operational risk capital requirement				3,317,535,914
Capital charges for operational risk (15% of average gross income for operational risk)				497,630,387
Risk-weighted amount for operational risk (reciprocal of required total capital ratio – 11%)				9.09
Risk-weighted amount for operational risk under the basic indicator approach				4,523,912,610
Total risk-weighted amount				33,160,857,915

51.6 *Capital and capital adequacy (Continued)*

Capital base

As at 31 March	2022 LKR	2021 LKR
Tier 1: Capital	7,641,712,818	5,954,620,123
Issued and paid-up ordinary shares	2,424,777,045	1,587,862,680
Statutory reserve fund	506,036,033	460,036,033
Published retained profits	4,710,899,740	3,906,721,410
Adjustment to Tier 1 capital	99,050,576	91,792,197
Other intangible assets (net)	64,030,133	55,119,372
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	11,624,750	13,277,132
Tier 1: Capital (after adjustments)	7,542,662,242	5,862,827,926
Tier 2: Capital	1,407,961,816	1,781,954,873
Instruments qualified as Tier 2 capital	1,050,000,000	1,400,000,000
General provisions/collective impairment allowances	357,961,816	381,954,873
Eligible Tier 2 capital	1,407,961,816	1,781,954,873
Total adjustment to eligible Tier 2 capital	35,020,443	36,672,825
50% of investment in banking and financial subsidiary companies	23,395,693	23,395,693
50% of investment in other banking and financial institutions	11,624,750	13,277,132
Eligible Tier 2 capital after adjustments	1,372,941,373	1,745,282,048
Total capital	8,915,603,616	7,608,109,974
Core capital ratio (minimum requirement 7%)		
Core capital	7,542,662,242	5,862,827,926
Total risk-weighted assets	33,160,857,915	35,125,000,204
	22.75%	16.69%
Total capital ratio (minimum requirement 11%)		
Total capital base	8,915,603,616	7,608,109,974
Total risk-weighted assets	33,160,857,915	35,125,000,204
	26.89%	21.66%

Notes to the Financial Statements

51.7 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.

The table below summarises the impact due to a change of 10% on equity prices.

As at 31 March	2022			2021		
	Financial assets at FVTPL LKR	Financial assets at FVOCI LKR	Total LKR	Financial assets at FVTPL LKR	Financial assets at FVOCI LKR	Total LKR
Market value of equity securities	53,068,592	14,762,768	67,831,360	79,178,617	15,464,873	94,643,490

As at 31 March	2022			2021		
	Impact on income statement LKR	Impact on OCI LKR	Impact on equity LKR	Impact on income statement LKR	Impact on OCI LKR	Impact on equity LKR
Stress Level						
10% increase on equity prices	5,306,859	1,476,277	6,783,136	7,917,862	1,546,487	9,464,349
10% decrease on equity prices	(5,306,859)	(1,476,277)	(6,783,136)	(7,917,862)	(1,546,487)	(9,464,349)

51.8 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 2022 the Company provided of LKR 4,523,912,610/- (2021 – LKR 4,568,610,335/-) as risk weighted assets to accommodate for operational risk.

51.9 Regulatory risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives, Senkadagala Finance PLC manages day to day regulatory risk primarily by educating and training employees about regulatory requirements, establishing and maintaining appropriate policies and procedures, and monitoring for compliance. the Company has appointed a Compliance Officer for communicating regulatory requirements to each business unit, ensuring that business units have appropriate policies and procedures in place and that staff are trained to meet regulatory requirements and for tracking, escalating and reporting significant issues and finding to Senior Management and the Board.

In this latter process, the Compliance Officer is supported and assisted by the Company's internal auditors, Messrs. Ernst & Young Advisory Services, who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

51.10 Reputation risk

Reputation risk is the risk to earning, capital or brand arising from negative publicity or employee opinion. A company's reputation is a valuable business asset in its own right, essential to optimising shareholder value. Reputation risk cannot be managed in isolation from other forms of risks, since all risks can have an impact on reputation, which in turn can impact the brand, earning and capital. Credit, liquidity, interest rate, operational, and regulatory risk must all be managed effectively in order to safeguard the Company's reputation.

51.11 Loan to Value (LTV)

The following tables stratify credit exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The value of collateral for loans is based on the market values at origination of the contract.

	Company		Group	
As at 31st March	2022 LKR	2021 LKR	2022 LKR	2021 LKR
LTV ratio				
Finance leases and hire purchases				
Less than 50%	2,534,076,987	2,656,181,891	2,534,076,987	2,656,181,891
50% - 80%	21,418,271,968	22,761,876,027	21,418,271,968	22,761,876,027
81% - 100%	564,395,798	751,124,454	564,395,798	751,124,454
Total finance leases and hire purchases	24,516,744,753	26,169,182,372	24,516,744,753	26,169,182,372
Other loans and receivables				
Less than 50%	368,794,930	372,414,430	369,039,930	372,689,430
50% - 80%	1,355,697,472	2,715,695,153	1,355,697,472	2,715,695,153
81% - 100%	2,562,375,151	385,483,532	2,562,375,151	385,483,532
Total other loans and receivables	4,286,867,552	3,473,593,115	4,287,112,553	3,473,868,115
Credit impaired loans - finance lease				
Less than 50%	140,227,622	167,713,525	140,227,622	167,713,525
50% - 80%	2,495,972,047	2,899,188,850	2,495,972,047	2,899,188,850
81% - 100%	228,562,541	290,442,541	228,562,541	290,442,541
Total credit impaired loans	2,864,762,210	3,357,344,916	2,864,762,210	3,357,344,916
Credit impaired loans - other loans				
Less than 50%	78,046,118	81,465,945	78,046,118	81,465,945
50% - 80%	940,831,071	907,382,311	940,831,071	907,382,311
81% - 100%	325,708,901	160,695,022	325,708,901	160,695,021
Total credit impaired loans	1,344,586,090	1,149,543,278	1,344,586,090	1,149,543,277

52. Prevailing Uncertain and Volatile Macroeconomic Environment and due Implication of COVID-19 Pandemic

Spill over effects of COVID-19 outbreak continued to cause disruptions to business and economic activities in the global economy. Since the start of the war in Ukraine, geopolitical turmoil intensified with unprecedented sanctions imposed on major economies and shakeup of global relationships. In Sri Lanka, with a successful vaccination plan the spread of the virus was curtailed, however, foreign exchange crisis caused by the dampened tourism industry and significant drop in worker remittances ignited a wider economic crisis, worst the country seen since independence.

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.

52.1 Going concern and economic uncertainty

The ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of Consolidated Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and employment). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of Government and Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. However, In light of the ongoing economic crisis, the Company has assessed its going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

52.2 Liquidity risk management

With the onset of COVID-19 pandemic the Company practiced more vigilance in managing its liquid assets. This practice was reinforced with the new challenges posed due to the economic crisis in hand. While closely monitoring any market developments, the Company has continued to keep its liquidity risk management measures in alert to readily respond to changing circumstances.

Throughout the year, the Company maintained sufficient levels of liquid assets. Further, the Company has in place strong relations with its banking partners, other strategic local and foreign investors, which has enabled the Company to withstand the liquidity pressure during these 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 market developments.

52.3 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.

52.3.1 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 2022 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 current economic condition. 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	1,790,026,030	(54,677,135)	-2.96
Best case scenario	0	100	0	1,640,157,025	(204,546,140)	-11.09
Worst case scenario	0	0	100	1,928,696,205	83,993,040	4.55

52.3.2 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 economic condition affects the ECL impairment.

52.3.3 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.

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

Onset of the COVID-19 pandemic, the market interest rates were kept low to stimulate economic growth. The Company managed to secure long-term low cost funding at the time. Repricing of assets inline with subsequent market trends improved the net interest income of the Company.

52.5 Impact on other assets and business units

The Company does not foresee any significant indications of impairments at the reporting date due to the prevailing economic condition and each business unit functions within the respective business continuity plans as per the Company's risk management framework allowing business and operations continuity.

52.6 Business continuity and future outlook

During the preparation of Financial Statements for the year ended 31 March 2022 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. When making that assessment, management considered the existing and anticipated effects of the economic condition 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.
- 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, the Management concludes that the Company has adequate resources to continue as a going concern and the Company is continuously monitoring the impacts on its operations due to the prevailing economic condition.

The finely crafted ceramic ware is finished to be both aesthetically pleasing and delightful to the touch.

Annexes

Ten Year Summary

	2022 LKR '000	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
Operating results										
Interest income	6,020,701	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
Interest expense	2,430,425	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
Net interest income	3,590,276	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
Other operating income	323,848	363,594	223,008	300,278	298,215	312,424	218,173	131,220	94,950	113,678
Profit before taxes on financial services	1,513,024	949,045	722,491	1,179,270	1,607,203	1,280,293	971,116	697,029	657,054	735,545
Profit before income taxation	1,185,647	707,345	528,729	929,284	1,357,416	1,119,133	882,550	647,444	622,417	680,482
Profit for the year	902,971	554,745	227,831	950,604	1,004,671	860,971	613,182	539,639	534,942	578,526
Dividends paid	90,076	–	68,851	228,296	213,077	185,899	166,330	107,625	214,901	132,886
Balance sheet										
Assets										
Cash and near cash items	10,010,235	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
Investments	302,424	523,974	393,621	182,498	200,486	159,733	98,637	103,701	86,912	69,047
Loans and advances	26,101,897	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
Investments in subsidiary	328,302	328,302	328,302	320,000	320,000	320,000	320,000	320,000	20,000	20,000
Property and equipment	1,755,747	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
Right-of-use asset	361,074	409,875	388,931							
Other assets	137,729	139,953	157,608	246,236	757,962	240,865	252,107	146,677	156,390	129,935
Total assets	38,997,407	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
Liabilities										
Deposits from customers	10,823,983	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
Borrowings	17,138,991	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
Debentures	1,768,547	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
Deferred tax liability	150,572	319,294	402,371	461,314	860,681	607,702	434,104	197,116	155,732	199,093
Lease liability	357,217	377,500	344,724							
Dividends payable	14,390	9,333	8,875	7,347	6,266	5,337	4,454	6,280	57,295	3,648
Other liabilities	1,097,935	987,199	996,673	1,013,359	921,997	676,780	576,461	426,451	350,110	325,894
Total Liabilities	31,351,635	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
Equity										
Stated capital	2,424,777	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
Statutory reserve fund	506,036	460,036	430,036	415,036	365,036	310,036	265,036	230,036	195,036	165,036
Other reserves	4,059	4,761	4,100	3,894	7,171	4,361	3,775	–	170,629	154,760
Retained earnings	4,710,900	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
Total equity	7,645,772	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
Total liabilities and equity	38,997,407	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

Key Ratios and Indicators

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Performance indicators										
Return on average total assets (%)	2.35	1.53	0.64	2.61	3.00	3.24	3.04	3.18	3.55	4.58
Return on average shareholders' funds (%)	13.27	9.76	4.26	18.41	23.11	25.87	22.19	23.28	29.11	42.84
Net interest margin (%)	10.16	8.44	8.82	9.70	9.93	9.87	11.12	11.78	11.78	11.30
Growth of interest income (%)	0.70	(8.50)	(6.60)	8.09	34.12	28.81	4.53	1.58	23.29	51.87
Growth of profit for the year (%)	62.77	143.49	(76.03)	(5.38)	16.69	40.41	13.63	0.88	(7.53)	21.42
Growth of loans and advances (%)	(5.30)	1.21	(6.32)	4.56	17.02	40.51	24.48	7.16	9.65	28.89
New advances disbursed (LKR Mn.)	14,470	11,167	11,663	17,000	17,600	17,290	11,869	8,264	6,861	7,009
Net flow of deposits (LKR Mn.)	(722)	324	1,214	502	2,276	721	(32)	917	2,212	680
Borrowings obtained (LKR Mn.)	3,604	14,453	1,000	7,300	6,740	7,800	5,500	3,383	1,860	3,703
Debentures issued (LKR Mn.)	–	–	1,750	–	–	3,000	–	–	2,410	1,216
Capital expenditure incurred (LKR Mn.)	113	136	206	932	359	641	351	473	408	214
Gross Non-performing loans ratio (%)	7.94	6.47	7.03	4.93	2.28	1.64	2.02	4.30	3.48	1.07
Investor information										
Earnings per share (LKR)	10.97	7.20	3.14	13.12	13.97	13.20	9.40	8.27	8.63	10.64
Dividends per share (LKR)	1.16	–	0.95	3.15	3.00	2.85	2.55	1.65	3.66	2.49
Net assets per share (LKR)	88.62	82.23	74.65	73.09	69.42	56.14	45.89	38.85	35.80	29.49
Interest cover (Times)	1.49	1.22	1.14	1.25	1.40	1.47	1.52	1.37	1.33	1.45
Dividends cover (Times)	10.02	–	3.31	4.16	4.72	4.63	3.69	5.01	2.49	4.35
Dividend payout ratio (%)	9.98	–	30.22	24.02	21.21	21.59	27.13	19.94	40.17	22.97

Key Ratios and Indicators

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Capital and leverage										
Core capital (%)	22.75	16.69	15.48	14.46	16.86	14.19	15.82	16.54	14.00	11.41
Total capital (%)	26.89	21.66	21.54	15.49	17.65	16.08	19.90	22.97	20.93	11.31
Equity as a percentage of total assets (%)	19.61	15.72	15.73	14.40	13.94	11.84	13.44	14.02	13.24	11.03
Equity as a percentage of total deposits and borrowings (%)	25.72	19.70	19.87	17.65	17.18	14.10	16.39	17.00	15.92	12.94
Growth of total assets (%)	2.89	10.20	(6.49)	1.88	16.77	38.84	23.22	13.88	11.21	29.52
Growth of net assets (%)	28.30	10.15	2.14	5.28	37.41	22.32	18.13	20.56	33.53	39.70
Earnings retention ratio (%)	90.02	100.00	69.78	75.98	78.79	78.41	72.87	80.06	59.83	77.03
Total deposit liabilities to capital (%)	70.64	51.61	48.21	52.92	52.92	50.64	45.98	38.73	37.37	46.13
Debt to equity ratio (Times)	2.47	3.14	2.96	3.77	3.93	5.12	3.93	3.30	3.61	5.56
Liquidity										
Liquid assets as a percentage of total assets (%)	8.83	6.47	10.86	12.59	14.46	15.92	15.70	15.48	13.06	13.04
Liquid assets as a percentage of total deposit liability (%)	31.83	21.24	33.30	46.28	54.91	68.09	53.71	42.75	36.86	54.53
Operational										
Number of branches	80	59	59	59	54	49	39	39	39	39
Number of service centres	20	41	41	41	41	41	41	41	24	13
Number of pawning centres	34	32	29	26	26	18	13	11	11	6
Number of staff	802	807	797	794	745	690	627	601	492	414
Staff productivity (LKR '000)	1,478	877	663	1,170	1,822	1,622	1,408	1,077	1,265	1,644

Branch/Service Centre Network

Branch	Address	Phone	Fax
Akuressa	No. 24/20, Pradeshiya Sabha Road, Akuressa.	041 228 5060	041 228 5065
Aluthgama	No. 152 1/1, 1st Floor, Galle Road, Aluthgama.	034 227 0573	034 227 0578
Ampara	No. 778 A, D S Senanayaka Mawatha, Ampara.	063 222 4057	063 222 4093
Angoda	No. 650, Avissawella Road, Mulleriyawa South, Angoda.	011 241 7780	011 241 7785
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura.	025 223 7969	025 223 7989
Athurugiriya	No. 303, Godagama Road, Athurugiriya.	011 218 5888	011-2185889
Avissawella	No. 19, Kudagama Road, Avissawella.	036 222 2800	036 222 2805
Badulla	No. 2, Riverside Road, Badulla.	055 222 4401	055 222 4407
Bandaragama	No. 91, Panadura Road, Bandaragama.	038 229 3903	038 229 3924
Batticaloa	No. 221 (Ground and First Floor), Trinco Road, Batticaloa.	065 222 9200	065 222 9205
Chilaw	No. 53, Kurunegala Road, Chilaw.	032 222 4043	032 222 4048
Colombo 03	2nd Floor, 267, Galle Road, Colombo 03.	011 230 1301	011 230 1937
Dehiattakandiya	No. F-74, New Town, Dehiattakandiya.	027 205 0800	027 205 0805
Dambulla	No. 357, Matale Road, Dambulla.	066 228 5530	066 228 5535
Deniyaya	No. 54, Main Street, Deniyaya.	041 227 3891	041 227 3896
Eheliyagoda	No. 320, Main Street, Eheliyagoda.	036 225 7341	036 225 7346
Embilipitiya	No. 325B, Ratnapura Road, Pallegama, Embilipitiya.	047 226 1991	047 226 1996

Branch	Address	Phone	Fax
Fort	No. 48, Mudalige Mawatha, Colombo 01.	011 244 6901	011 244 6904
Galle	No. 66, Colombo Road, Kaluwella, Galle.	091 224 8111	091 224 8116
Gampaha	560 A, Colombo Road, Gampaha.	033 223 3555	033 223 3560
Giriulla	No. 101, Negombo Road, Giriulla.	037 228 8700	037 228 8770
Gampola	No. 42, Panabokka Mawatha, Gampola.	081 235 0100	081 235 1850
Galewela	No. 87/3A , Kurunegala Road, Galewela.	066 228 8025	066 228 8075
Hanwella	No. 40, Pahala Hanwella, Hanwella.	036 225 2190	036 225 2195
Homagama	No. 94/1, (First Floor) Highlevel Road, Homagama	011 285 7878	011 285 7880
Horana	246, Panadura Road, Horana	034 226 2770	034 226 2776
Jaffna	No. 62/3, New Stanley Road, Jaffna.	021 221 9960	021 221 9965
Ja-Ela	No. 356, Weligampitiya, Colombo Road, Ja-Ela.	011 224 7861	011 224 7866
Kaduwela	No. 482/5/A, Colombo Road, Kaduwela.	011 253 8180	011 253 8186
Kalutara	First floor, No. 443, 443/1, Galle Road, Kalutara.	034 222 7101	034 222 7106
Kandy	No. 12, Kotugodella Veediya, Kandy.	081 220 1201	081 220 1207
Katugastota	No. 437B, 1st and 2nd Floors, Katugastota Road, Kandy.	081 221 3860	081 221 3867
Kadawatha	No. 316 H, Kandy Road, Kadawatha.	011 292 9010	011 292 9090
Kaduruwela	No. 292, Saw Mill Junction, Kaduruwela.	027 222 4739	027 222 4743
Kegalle	No. 243, Colombo Road, Kegalle.	035 222 1277	035 222 1281

Branch/Service Centre Network

Branch	Address	Phone	Fax
Kelaniya	No. 457, Kandy Road, Dalugama, Kelaniya.	011 291 4714	011 291 4887
Kahawatta	No. 187, Main Street, Kahawatta.	045 227 1972	045 227 1977
Kalmunai	No. 202, Batticaloa Road, Kalmunai.	067 222 6860	067 222 6865
Kalawana	No. 1/100, Mathugama Road, Kalawana.	045 225 6561	045 225 6566
Kirindiwela	No. 27/16/1, Nugahenawatta, Kirindiwela.	033 224 7851	033 224 7856
Kotahena	No. 178 (Third Floor) George R De Silva Mawatha, Colombo 13.	011 244 1261	011 244 1267
Kuliyapitiya	No. 74 1/1, Hettipola Road, Kuliyapitiya.	037 228 4630	037 228 4635
Kurunegala	No. 91, Kandy Road, Kurunegala.	037 2220402	037 222 0405
Maharagama	No. 163, High Level Road, Maharagama.	011 289 6888	011 289 6052
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara.	041 223 3891	041 223 3896
Mawanella	No. 215, New Colombo Road, Mawanella.	035 224 7626	035 224 7655
Mirigama	No. 71, Negombo Road, Mirigama.	033 227 6868	033 227 6911
Mathugama	No. 146, Aluthgama Road, Mathugama.	034 229 5000	034 229 5005
Maho	No. 234, Moragollagama Road, Maho.	037 2275320	037 227 5324
Minuwangoda	No. 12, Veyangoda Road, Minuwangoda.	011 229 5177	011 229 5189
Mount Lavinia	246, 1/1, Galle Road, Ratmalana South, Mount Lavinia.	011 271 5001	011 271 5002

Branch	Address	Phone	Fax
Monaragala	No. 112, Wellawaya Road, Monaragala.	055 205 5421	055 205 5426
Matale	No. 97, 97A, Kings Street, Matale.	066 222 2954	066 222 2960
Mawathagama	No. 174 "Thissa Saw Mill", 7th Mile Post, Kurunegala Road, Mawathagama.	037 229 6443	037 229 6448
Mahiyanganaya	No.109/1, Padiyathalawa Road, Mahiyanganaya.	055 225 8280	055 225 8285
Narammala	No. 285, Uyanwatta Road, Narammala.	037 224 9892	037 224 9897
Negombo	No. 149, 1st Floor, Rajapaksha Broadway, Negombo.	031 222 3456	011 222 3462
Nikaweratiya	No. 245/A , Puttalam Road, Nikaweratiya.	037 226 0117	037 226 0217
Nittambuwa	538/3, 38 Kilometre Post, Malwatta, Nittambuwa.	033 229 7030	033 229 7035
Nuwara Eliya	26, Upper Lake Road, Nuwara Eliya.	052 222 4123	052 222 4128
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda.	011 285 6600	011 285 6650
Panadura	No. 383/1, Galle Road, Panadura.	038 224 3990	038 224 3995
Padukka	No. 397/A. High Level Road, Galagedara, Padukka.	011 208 5990	011 208 5995
Pelawatte	No. 1067, Pannipitiya Road, Battaramulla.	011 277 4140	011 277 4145
Piliyandala	No. 91B, 93, Colombo Road, Piliyandala.	011 261 5740	011 261 5745
Pothuhera	No. 175, Kurunegala Road, Pothuhera.	037 223 7783	037 223 7784
Puttalam	No. 128/B/1, Kurunegala Road, Puttalam.	032 226 6783	032 226 6789

Branch/Service Centre Network

Branch	Address	Phone	Fax
Ratnapura	No. 394, Main Street, Ratnapura.	045 222 6890	045 222 6895
Rambukkana	No. 63 and 67, Mawanella Road, Rambukkana.	035 226 6650	035 226 4655
Seeduwa	No. 394, Negombo Road, Seeduwa.	011 225 1863	011 225 1869
Thambuththegama	No. 185/158, Regina Junction, Thambuththegama.	025 227 5472	025 227 5478
Tissamaharama	No. 60, Palliyawatta Road, Tissamaharama.	047 223 9925	047 223 9930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee.	026 222 5115	026 222 5119
Vavuniya	No. 8, 1st Cross Street, Vavuniya.	024 222 6340	024 222 6345
Warakapola	No. 211C, Colombo Road, Warakapola.	035 226 7020	035 226 7022
Wattala	No. 264, Negombo Road, Wattala.	011 294 9611	011 294 9616
Wellawatta	No. 577, Galle Road, Colombo 06.	011 236 3634	011 236 3680
Wennappuwa	No. 272/1/1, Chilaw Road, Wennappuwa.	031 224 5226	031 224 5271
Welimada	No. 17, Haputhale Road, Welimada.	057 224 5684	057 224 5690
Wattegama	No. 79, Kandy Road, Wattegama.	081 247 6331	081 247 6350

Service Centre	Address	Phone	Fax
Ambalangoda	No. 118B, Galle Road, Ambalangoda.	091 225 4901	091 225 4906
Balangoda	No. 281, Colombo Road, Balagahamula, Balangoda.	045 228 9533	045 228 9537
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela.	057 222 2675	057 222 2679
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri.	021 227 0951	021 227 0956
Dehiwala	No. 121, Galle Road, Dehiwala.	011 273 2456	011 273 2460
Digana	No. 2004/18/7, Kandy Road, Digana.	081 237 6623	081 237 6643
Elpitiya	No. 42, Ambalangoda Road, Elpitiya.	091 229 0485	091 229 0495
Hingurakgoda	No. 9, Airport Road, Hingurakgoda.	027 224 5680	027 224 5685
Jampettah Street	No. 124, Jampettah Street, Colombo 13.	011 238 0804	011 238 0809
Kekirawa	No. 55, Main Road, Kekirawa.	025 226 3234	025 226 3239
Kilinochchi	Opposite Commercial Bank, Kandy Road, Kilinochchi.	021 228 3720	021 228 3725
Kohuwala	No. 130 A, Dutugemunu Street, Kohuwala.	011 289 0800	011 289 0805
Maradana	No. 92, Deans Road, Colombo 10.	011 268 3600	011 268 3222
Moratuwa	No. 18, New Galle Road, Moratuwa.	011 264 4249	011 264 4254
Nelliady	No. 58/1, Point Pedro Road, Nelliady.	021 226 1430	021 226 1435
Pilimathalawa	No. 96/07, Colombo Road, Pilimathalawa.	081 257 9622	081 257 9623
Ragama	No. 46B, Kadawatha Road, Ragama.	011 295 3992	011 295 3993
Tangalle	No. 35, Sea Road, Tangalle.	047 224 1902	047 224 1907
Wariyapola	No. 141, Kurunegala Road, Wariyapola.	037 226 8880	037 226 8885
Wellawaya	No. 72, Ella Road, Wellawaya.	055 227 4194	055 227 4198

GRI Content Index

GRI standard	Disclosure	Page number(s)	Report commentary title
GRI 102 :	**General disclosures**		
Organisational profile			
102-1	Name of the organisation	04, Inner back cover	About the Company, Corporate Information
102-2	Activities, brands, products, and services	42	Services offered
102-3	Location of headquarters	Inner back cover	Corporate Information
102-4	Location of operations	41	Geographical spread
102-5	Ownership and legal form	Inner back cover	Corporate Information
102-6	Markets served	41	Customer capital
102-7	Scale of the organisation	06	Highlights of the year
102-8	Information on employees, and other workers	47	Employee capital
102-9	Supply chain	40	Supply chain and procurement policy
102-10	Significant changes to the organisation and its supply chain	40	Supply chain and procurement policy
102-11	Precautionary principle or approach	03	About this Report
Strategy			
102-14	Statement from senior decision-maker	08	Chairman's Message
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	39	Institutional capital
Governance			
102-18	Governance structure	68	Corporate Governance Structure of the Company
102-19	Delegating authority	66	Corporate Governance
102-22	Composition of the highest governance body and, its committees	66	Corporate Governance
102-23	Chair of the highest governance body	66	Corporate Governance

GRI Content Index

GRI standard	Disclosure	Page number(s)	Report commentary title
102-24	Nominating and selecting the highest governance body	80	Appointments to the Board
102-25	Conflicts of interest	93	Report of the Related Party Transactions Review Committee
102-35	Remuneration policies	92	Report of the Remuneration Committee
Stakeholder engagement			
102-40	List of stakeholder groups	15	Our Business Model
102-44	Key topics and concerns raised	15	Our Business Model
102-45	Entities included in the consolidated financial statements	05	Our Group Structure
102-46	Defining report content and topic Boundaries	03	About this Report
102-49	Changes in reporting	03	About this Report
102-50	Reporting period	03	About this Report
102-51	Date of most recent report	03	About this Report
102-52	Reporting cycle	03	About this Report
102-53	Contact point for questions regarding the report	03	About this Report
102-55	GRI content index	262 – 265	GRI Content Index
102-56	External assurance	–	No external assurance obtained
GRI 200 :	**Economic**		
GRI 201 :	**Economic performance**		
201-1	Direct economic value generated, and distributed	38	Value added and distribution statement
201-3	Define benefit plan obligations and other retirement plans	198	Defined benefit plan
201-4	Financial assistance received from Government	–	No financial assistance received from the government
GRI 204 :	**Procurement practices**		
204-1	Proportion of spending on local suppliers	40	Supply chain and procurement policy

GRI Content Index

GRI standard	Disclosure	Page number(s)	Report commentary title
GRI 205 :	**Anti-corruption 2016**		
205-2	Communication and training about anti-corruption policies, and procedures	104	Regulatory and compliance risk
205-3	Confirmed incidents of corruption and actions taken	–	No such incidents were reported during the year under review
GRI 300 :	**Environmental**		
GRI 302 :	**Energy 2016**		
302-1	Energy consumption within the organisation	51	Cutting down on energy
302-4	Reduction of energy consumption	51	Cutting down on energy
GRI 400 :	**Social**		
GRI 401 :	**Employment 2016**		
401-1	New employee hires	48	Recruitment and selection
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	49	Rewards, incentives, and benefits
GRI 403 :	**Occupational Health and Safety**		
403-2	Occupational diseases, lost days, and absenteeism and number of work-related facilities	49	Health, safety, and protection
403-9	Work-related injuries	49	Health, safety, and protection
403-10	Work-related ill health	49	Health, safety, and protection
GRI 404 :	**Training and education 2016**		
404-1	Average hours of training per year per employee	49	Knowledge-enhancement and development
404-3	Percentage of employees receiving regular performance, and career development reviews	49	Performance review

GRI Content Index

GRI standard	Disclosure	Page number(s)	Report commentary title
GRI 405 :	**Diversity and equal opportunity 2016**		
405-1	Diversity of governance bodies and employees	47	Diversity and inclusion
405-2	Ratio of basic salary, and remuneration of women to men	198	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	49	Health, safety, and protection
GRI 413 :	**Local Communities**		
413-1	Operations with local community engagement, impact assessments, and development programmes	50	Social and environmental capital
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 Fifty-Third (53rd) Annual General Meeting of Senkadagala Finance PLC (the "Company") will be held online via a virtual platform on 31 August 2022 at 10.00 a.m. and the business to be brought before the Meeting will be as follows:

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

2. To declare a final dividend of Sri Lankan Rupees One Hundred and Twenty Million Seven Hundred and Ninety One Thousand Seven Hundred and Sixty Seven Cents Sixty (LKR 120,791,767.60) Sri Lankan Rupees One and Cents Forty (LKR 1.40) per share to the shareholders of the Company as recommended by the Board of Directors.

3. To reappoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.

4. To authorise the Board of Directors to determine donations for the year 2022/23.

By order of the Board

Sgd.
Corporate Services (Private) Limited
Secretaries

Senkadagala Finance PLC
Colombo, Sri Lanka
28 June 2022

Note:

Any shareholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose.

Form of Proxy

I/We, ...

.... of

....

being a shareholder/shareholders of Senkadagala Finance PLC hereby appoint: ....

.... of

.... or failing him/her,
Mr W M R S Dias (Chairman of the Company), or failing him, one of the Directors of the Company, as my/our* proxy to vote as indicated hereunder for me/us* and on my/our* behalf at the Fifty-Third (53rd) Annual General Meeting of the Company to be held on Wednesday, 31 August 2022 at 10.00 a.m. and at every poll which may be taken in consequence of the aforesaid meeting and any adjournment thereof:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2022 and the Report of the Auditors thereon.		
2.	To declare a final dividend of LKR 1.40 (Rupees One and Cents Forty) per share to the shareholders of the Company as recommended by the Board of Directors.		
3.	To reappoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.		
4.	To authorise the Board of Directors to determine donations for the year 2022/23.		

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

....
Signature of shareholder

Note

*Please delete the inappropriate words.

Instructions as to completion are noted as overleaf.

Form of Proxy

Instructions on completion of the form of proxy

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, 2nd Floor, 267, Galle Road, Colombo 03 or emailed to info@senfin.com no later than 48 hours before the time of the Meeting.

2. In perfecting the Form of Proxy, please ensure that all details are legible.

3. Please indicate with a 'X' in the space provided, how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his/her discretion, may vote as he/she thinks fit.

4. In the case of a company/corporation, the letter of authorisation must be signed by placing the common seal of the company/corporation and attested in the manner prescribed by its Articles of Association.

5. In the case of a proxy signed by the attorney, the Power of Attorney document must be deposited at the Registered Office, 2nd Floor, 267, Galle Road, Colombo 03 for registration or emailed to info@senfin.com.

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.

Listed on the Colombo Stock Exchange with effect from 22 March 2011.

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: +9411 230 1301
Fax: +9411 230 1937
SWIFT code: SENFLKLX
Email: info@senfin.com
Website: www.senfin.com

Stock Exchange Listing
86,279,834 ordinary shares of the Company are listed in the Colombo Stock Exchange.

17,500,000 subordinate, unsecured, redeemable debentures of LKR 100/- each. Listed since August 2019 to August 2024 with fixed rate interest payments.

Credit Rating
Fitch Ratings (Lanka) Limited rating of BBB+ (lka) on Rating Watch Negative, on 26 April 2022.

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

Ms L Fernando
BSc (Hons)
Executive Director

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

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

Secretaries
Corporate Services (Pvt) Ltd
216 De Saram place
Colombo 10

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
People's Bank
National Development Bank PLC
Hatton National Bank PLC
Sampath Bank PLC
Seylan Bank PLC

This Integrated Annual Report is GHG-neutral

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Net-zero GHG since 2011

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