

# MOVING FORWARD▶▶▶



MULTI  
FINANCE

ANNUAL REPORT 2020/21





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## VISION

To be the first choice for financial solutions.

## MISSION

- To enhance shareholder value through financial stability and growth.
- To satisfy our valued customers by providing innovative solutions to their financial needs.
- To train, develop and empower employees to give their best.
- To achieve highest operational efficiency through advanced technology.
- To adhere to the highest corporate ethics and social responsibilities.
- To be recognised for our expertise and professionalism.

## ABOUT MULTI FINANCE

Multi Finance PLC (MFP) is a licensed Finance Company under the Central Bank of Sri Lanka. The Company was incorporated on the 14th of October 1974 as a Limited Liability Company in Kandy. It was re-registered under the Companies Act No.07 of 2007 on the 26th of February 2009. The Ordinary shares of the Company were listed on the Colombo Stock Exchange on the 13th of July, 2011 and thus the Company changed its status to a public quoted company. In February 2017, Fairway Holdings, a diversifying conglomerate acquired Multi Finance under its patronage.

Multi Finance PLC has long been a source of strength and support for people to grow. For over forty six (46) years, we have grown in stature and retained the confidence and trust of thousands of Sri Lankans from all across the island, partnering them in our bold vision. To be the first choice for financial solutions for everyone, everywhere. We are proud of how we have realised this vision today; the passion and commitment we have brought to our work, the good governance and integrity that have enabled us to help so many people to help themselves.

Over the years, we have served all walks of life from grassroot level to the SME sector and high level corporate clients. MFPLC has made its presence felt with an innovative and differentiated array of products in terms of leasing, hire purchase, business loans, multi draft, SME financing, gold loan, micro finance, personal loans, educational loans and trader financing etc. We have been playing a pivotal role in the Sri Lankan economy in providing trustworthy, reliable, financial solutions to different sectors of the economy creating new markets and livelihoods with our expert and trained staff.

# WHAT WE DO

## FIXED DEPOSITS



Forming a vital component of our core range of products for over 46 years, our fixed deposits offer higher guaranteed returns combined with immense flexibility on terms and conditions, enabling the most stable path to a sustainable financial future.

## BUSINESS LOANS



Our business loans are designed to enable sustainable value for businesses of all sizes by supporting short-term working capital requirements across a range of prestigious corporate clientele. Open to a variety of corporate clients, our structured approach to lending enables rapid disbursement of funds with a minimum waiting time.

## SAVINGS



### Suraksha Savings Accounts

High yielding savings accounts that provide customers with maximum value on their hard-earned savings. Suraksha savings provides account holders with security, flexibility and value, including the ability to make unlimited withdrawals, and further complemented by special rates and loan facilities for senior citizens.

### Muthuhara Savings Accounts

Contributing towards the establishment of a secure and sustainable financial future for the next generation, the Muthuhara Savings Account offers returns that grow with your child, paving the way for a brighter future. The account is bundled with medical insurance packages and the ability to make withdrawals to meet the educational and medical needs of children.

## MULTI DRAFT



A short-term revolving loan facility specifically designed to meet the needs of SME clients. Offering value that blends the best of short-term lending facilities with temporary overdraft facilities, the Multi Draft is one of the most quick, convenient and effective means for small-medium business owners to raise short term working capital requirements at rates that are more favourable than an overdraft from a traditional commercial bank.

## LEASING



Presenting the ideal opportunity for you to capture your dream vehicle, we offer flexible repayment plans that fit the needs of any budget. Our quality and speed of service are among the best in the industry, enabling MFPLC to offer processing of requests within just 6 hours, all the while maintaining the utmost standards in professionalism, reliability, and sustainability, in addition to providing specialised assistance and competitive rates for hybrid and electric vehicles.



## WHAT WE DO

### HIRE PURCHASE



We offer flexible hire-purchase plans that incorporate individually designed repayment facilities to fit the varying financing requirements of each customer. Utilising a strong branch network that covers most major urban centres, MFPLC is able to cater to any leasing requirement, in addition to providing specialised assistance and competitive rates for hybrid and electric vehicles.

### GOLD LOANS



Our safe, secure, and trusted Gold backed loans are ideal for satisfying urgent funding requirements for our clients, with every transaction being backed with a firm promise of utmost confidentiality and security – all the while offering clients the highest value and lowest interest rates.

### TRADER FINANCE



Among the most unique products in our portfolio, our trader finance products are designed to serve the needs of micro-traders, backed by a specially designed evaluation and disbursement protocol that enables the extension of short-term financial facilities within just 24-hours from application.

### EDUCATIONAL LOANS



Education is perhaps the single-most important empowering factor in any society; hence MFPLC places a special priority on supporting students to fund their tertiary education. Whether they decide to pursue their higher studies locally or overseas, MFPLC stands ready to help sustain their educational needs.

### PERSONAL LOANS



Our passion is in supporting our clients to each meet their own unique aspirations. Our personal loan facilities are designed to provide clients with utmost flexibility and convenience when pursuing their goals by ensuring efficient access to capital to meet any requirement.



# FINANCIAL HIGHLIGHTS

Results	2020/ 2021	2019 / 2020	Change %
<b>Operating Results (Rs.)</b>			
Income	134,104,126	218,656,172	(38.7)
Net Interest Income	68,076,003	111,892,693	(39.2)
Net Income from Operations	91,273,465	135,833,999	(32.8)
Net Profit/(Loss) after Tax	(82,599,534)	(141,735,790)	(41.7)
Accumulated Profit/(Loss)	(421,228,880)	(338,127,145)	24.6
<b>Financial Position (Rs.)</b>			
Total Assets	870,143,291	1,194,722,216	(27.17)
Interest Earning Assets	687,234,037	977,847,564	(29.72)
Lending Portfolio	556,232,268	861,735,729	(35.45)
Share Holders' Funds	493,851,989	577,150,615	(14.43)
Public Deposits	294,272,187	510,706,106	(42.38)
Borrowings	-	15,539,586	(100.00)
<b>Investor information (Rs.)</b>			
Earnings/(Loss) per Share	(1.30)	(2.23)	(41.72)
Net Assets Value Per Share	7.76	9.07	(14.43)
Dividend per Share	Nil	Nil	-
<b>Financial Indicators</b>			
Return on Average Assets (after tax) (%)	(8.00)	(10.58)	(24.38)
Return on Average Shareholders' Funds (%)	(15.42)	(21.88)	(29.50)
Debt : Equity Ratio (Times)	-	0.03	(100.00)

Statutory Ratios (%) / Requirements		
	Minimum Requirement	Actual
Tier 1 Capital Adequacy Ratio	7.0%	53.2%
Total Capital Adequacy Ratio	11.0%	53.2%
Liquid Assets	6.1%	35.6%

Market Value per Share	Rs.
Highest value recorded during the Financial Year	13.60
Lowest value recorded during the Financial Year	6.10
Closing value at the end of Financial Year	7.00



# CHAIRMAN'S STATEMENT

## Resilience and determination

The year in review saw unprecedented challenges that emerged with the onset of the COVID-19 pandemic in March 2020, become more intensified during the year ended 31st March 2021. With economic activity, across the board impeded, and, growth opportunities for banking and Non-Banking Financial Institutions (NBFI) were extremely limited.

As a result, our primary focus during the year was to optimize operational costs, while continuing to protect our depositors and serve our customers, whilst ensuring the health and safety of our people, as they strived to sustain the business ensuring the goodwill built over years was retained.

Under the weight of severe disruptions, national economic growth slumped to a historic low level of just 1.3% Year-on-Year (YoY). While interest rates were reduced to encourage the extension of credit to businesses and enterprises struggling to keep afloat during the pandemic. Unprecedented uncertainty led to most individuals and businesses putting off all but the most essential big-ticket spending items on hold indefinitely.

Responding to this urgent crisis, a decision was taken by the CBSL during the period in review to further extend moratoriums on debts owed to financial institutions. This was done with the aim of easing the extreme burden on enterprises and individuals who had lost their income generating ability because of the pandemic, therefore unable to repay interest and capital on loans and leases.

While providing a much needed measure of relief to such enterprises, these emergency measures drastically impacted the profitability NBFI's as ourselves.

Together with continuing restrictions on vehicle imports and its impact on raising the prices of vehicles across the board, several of the Company's main sources of revenue generation were drastically constrained.

## Clearing the path to prosperity

Under these circumstances, Multi Finance PLC has performed admirably, showing great resilience and determination to curtail costs, and improve our financial position, with the remaining challenge that all Category B and C NBFI's face being the need to raise our reserves to meet Central Bank of Sri Lanka requirements.

The key challenge during the period under review was the attraction of additional capital to conform to the CBSL's new guidelines. In this light, we too had to observe the CBSL imposed restrictions on deposits as we expect a resolution to this constraint soon.

Given the national situation, these plans were delayed, but we have informed CBSL of our plans to align to the CBSL's vision to amalgamate the sector to develop a stronger and more resilient NBFI sector that is less fragmented and more strongly capitalized, and capable of fueling Sri Lanka's eventual post-COVID economic resurgence.

A clear timeline and masterplan has since been advanced by the CBSL that will result in the consolidation of the sector with each company in the sector being ranked and matched with a suitable partner based on their core capital positions and fundamentals. Given that Multi Finance has continued to display strong governance standards, and hold the trust of its customers and the regulator, we are pleased to report that we are being viewed favorably for consolidation with a Category A company over the coming financial year.

## Our greatest strength

Ultimately the uniquely difficult obstacles which Multi Finance has continuously overcome over the past year stand as the greatest testament yet to our greatest strength – our people. They are the reason that today, we are able to glimpse the start of a new future of our organization.

Over the past year, they shouldered their responsibilities in the face of many difficulties. With the worsening pandemic situation, we rotated as many team members as possible into Work From Home, and while unfortunately, there were a few incidents of team members contracting COVID-19, we are glad to report that they have since made a full recovery. Immediate measures were also taken in accordance with public health guidelines and we managed to prevent any further transmission and safely resume operations with minimal disruptions.

Key operations have continued at the company often-times with on-site teams working at half-strength, and nevertheless, performing optimally. These remarkable performances are a result of unmatched commitment and dedication, and we wish to place on record our deepest appreciation and admiration for every single member of the Multi Finance team.

Looking ahead, we still face an extremely volatile operating environment. With the national effort to vaccinate Sri Lanka well underway, the current outlook for the economy remains weak but with the potential for recovery finally in sight.

Post-COVID, and Post-consolidation, our operating environment will appear radically different from the one we are in currently. Over the short-medium term, the need of the hour will be for sustained financial support to be channeled into the grassroots of the economy. We are eager to fulfil this role, and help rejuvenate Sri Lanka.





## Acknowledgements

Once again, we thank the entire team at Multi Finance for their remarkable commitment to the values and vision of our organisation, and for being the force that sustains us in uncertain times. It has been this attitude of complete dedication that has enabled our organisation to always retain the trust and confidence of our customers.

We also express our sincere gratitude to the officials at the Central Bank of Sri Lanka and its Department for the Supervision and Regulation of Non-Banking Financial Institutions for their invaluable guidance and support in securing clearing the path for Multi Finance PLC to achieve its true potential.

I also wish to place on record our gratitude and appreciation to the owners and managers of Fairway Holdings for providing our essential requirements to keep operating, and transition out of the Group in a stable manner.

Most importantly, we thank our customers for their continuous support, and we vow to always serve their interests in every way possible, as we move through challenging times and into an era of sustainable and lasting prosperity.

Thank you.

**Mr. Imal Fonseka**

Chairman

30th June 2021



# CHIEF EXECUTIVE OFFICER'S STATEMENT

I am honoured to once again present our valued stakeholders with the Annual Report and Audited Financial Statements of Multi Finance PLC (MFPLC) for the financial year ended 31st March 2021. As noted by our Chairman, the period in review has challenged our nation, our industry, and every Sri Lankan on a level that has never-before been witnessed.

## Operational highlights

In the face of these historic upheavals, we are proud to report that Multi Finance PLC has remained resolute in its performance, despite internal and external factors. The entire team has performed admirably in their efforts to curtail losses carried over from the previous year, despite being severely constrained by the need to offer moratoriums to customers impacted by the pandemic.

Remarkably, even with the heavy restrictions placed on our operational activities by the Central Bank of Sri Lanka, owing to the failure of infusing the required core capital as per prescribed timeframes, our team was able to deliver improved cash reserves, stronger liquidity positions, and a drastically reduced impairment.

Hence, even as income reduced from Rs. 218.7 million down to Rs. 134.1 million mainly due to the restrictions placed on lending, we were able to reduce our total operating expenses from Rs. 212.6 million down to Rs. 147.4 million. Meanwhile, a strong focus on collections resulted in a drastic reduction in impairment charges and other losses, from Rs. 26.7 million down to just Rs. 3.9 million during the period in review. An outstanding achievement, especially given drastic constraints of the operating environment we faced.

As a result of these remarkable efforts, Multi Finance was able to reduce its loss for the period from Rs. 141.7 million in 2020, down to Rs. 82.6 million during the period in review.

Our success in driving down impairment was the result of a meticulous focus on the numbers through advance recovery strategies and embrace new techniques to solve key recovery matters., coordinated efforts across the finance department to all departments, proportionately reduce all cost related factors across the organization. in a manner which enabled us to achieve our targets without compromising on operational efficacy and efficiency, and fulfilling all obligations to investors, shareholders, and customers, to the complete satisfaction of the regulator. Consequently, we move into the new financial year with zero external liabilities as an organization, and a manageable level of depositor liabilities.

Though our NPL ratio was increased during the period concerned, it was mainly due to the reducing portfolio as a result of CBSL restrictions owing to short of core capital, rather than any increase in impairment, which is highly commendable. The entire team, including branch managers

and their teams must be credited for maintaining such a stringent low cost regime while delivering on their assigned targets throughout the financial year operating on minimum resources. While we remain undercapitalized, these remarkable performances and resilience shown by the company have made Multi Finance an extremely attractive target for consolidation.

This favorable position was earned by every staff member, who shouldered took up every challenge set before them, and shouldered their responsibilities with determination and commitment at all times. Our operational strength has set us apart, and enabled us to introduce further processes and protocols, over the year in review, that have made us one of the industry's best structured companies in terms of corporate governance and compliance. This is evident in the resilience that we have shown through the most difficult times, which no other company has experienced and overcome.

## Outlook

Moving from the collapse of a parent company, into a two year period without any parent company, followed by investments from the Fairway Group, which was also unable to fulfil the commitments on core capital, which led to the restrictions in our activities imposed by the CBSL.

Even when faced together with the external challenges posed by our operating environment, Multi Finance has endured and this resilience has been the direct result of policies and governance structures that we have implemented and enforced. This operational superiority has even been positively highlighted by the regulator in our meetings with them, and places us on the strongest footing to enter into consolidation process.

While we are ranked as a Category C owing to our core capital position relative to CBSL guidelines, our operational, governance, and brand strengths make us an ideal consolidation partner. Within the next year, under the CBSL's guidance we anticipate the finalization of consolidation plans, and have already advanced two very strong proposals to the regulator.

Industry consolidation has long been understood as the best pathway to creating a smaller group of strong financial companies capable of enduring the challenges that lay ahead, and fueling the vital economic growth needed to pull Sri Lanka out of the COVID crisis, and back onto a path to true prosperity. Given our pre-existing focus on driving an authentic culture of sustainability across our organization and through our products and services, we are already well aligned with the Government's efforts to drive new policies on export growth, and sustainable agriculture. Together with the anticipated post-COVID boom in tourism, we see immense opportunities for rapid, but sustainable growth for Multi Finance.



Once matched and consolidated with a strong company that has equal governance and procedural structures, we will be equipped to meet any challenge head on, and on a much stronger footing. Other positive factors that enhance our appeal as a consolidation partner include our fully fledged branch network which was recently refurbished, well trained staff members, and in excellent operating condition, and geared to commence customer service as soon as movement and operating restrictions lift, and the moment that capital infusion is completed.

The period in review has been a time of historic uncertainty both locally and globally. Despite the immense challenges which emerged during the past year, our organization has delivered a steadfast performance, all while accelerating the technological transformation of our business and operating model.

### Acknowledgments

In concluding, we wish to thank our esteemed Chairman and our Board of Directors, for their guidance and vision in securing and steering our organization through these unprecedented challenges. We also express our gratitude to the Central Bank of Sri Lanka and the team at the Department for the Supervision and Regulation of Non-Banking Financial Institutions for their essential support in bringing our organization into a more stable position.

On behalf of the entire team, we express our gratitude and appreciation to our customer base for continuing to honor us with their trust and confidence. Above all, we are committed to serving their interests and doing all we can to support their aspirations, even in the face of our shared difficulties at this historic moment.

Thank You.

**Pushpika Jayasundera**

Director/Chief Executive Officer

30th June 2021



# THE BOARD OF DIRECTORS

## Mr. Imal Fonseka

*Independent, Non-Executive Director*

Mr. Imal Fonseka is the Chairman of Multi Finance PLC and hitherto served on the boards of the Sri Lanka Insurance Corporation, Sri Lanka Investment Holdings, Chevron Lubricants (Lanka) PLC and Eureka Technology Partners.

He's had his postgraduate Education at the Indian School of Business / The Kellogg School of Management (Northwestern University) / Wharton School (University of Pennsylvania).

Imal worked with multi nationals such as JWT, Unilever, Glaxo-Smithkline, Coca-Cola and Chevron in the Middle East, in South East Asian and in the Sub-continent. He launched Panadol and other OTC brands for GSK in Vietnam and pioneered the entry of Hemas Consumer Brands to Bangladesh.

Imal was the CEO of the largest Confectionery company and Managing Director of the largest Local Personal Care and Home Care Company in Sri Lanka.

He plays an active role within the marketing fraternity as the past President of the International advertising association (Sri Lanka Chapter 2007-2008), Founder Chairman of the Sri Lanka advertising awards (2006), Chairman of the Sri Lanka brand excellence jury (2007) Chairman of the "EFFIES" Sri Lanka jury (2009, 2012, 2017) and Chairman of the Trustees of the Sri Lanka advertising awards (2010). He was also appointed to the Jury of the Asia-Pacific Effie Awards (2016, 2017, 2018) and was subsequently Invited as a Juror for the Global Effies Program (2016) as well as the Middle East North Africa Program (2016).

## Mr. Pushpika Jayasundera

*Non-Independent, Executive Director / Chief Executive Officer*

Mr. Pushpika Jayasundera has been the Chief Executive Officer at Multi Finance PLC since August 1, 2013. He possesses nearly 25 years' experience in the fields of banking and finance.

He commenced his career as a Financial Executive in a reputed Non-Banking Finance Institution (NBFI) and subsequently worked in two reputed banks for more than 15 years, namely HNB and Union bank. He has experience in the areas of retail and corporate credit, project financing, factoring, leasing, margin trading, hire purchase, pawning and recoveries. He was instrumental in establishing the entire leasing operation at Union Bank and developed its IT system which consists of on-line credit approval to fully automated GL module. During its first year of operation, he surpassed a portfolio of Rs. 1.0 Bn with a NPL ratio of below 0.1%.

He left the banking industry as 'Head of Leasing' and 'Commercial Credit' and joined Capital Alliance Finance PLC to lead the team. He revamped the entire company introducing best practices in the industry and re-engineered the business processes, whilst marking growth. Hence, he is known for pioneering innovative new products in the industry, some of them being the free health insurance cover for deposit holders irrespective of age limit, first overseas travel package offered for time depositors based on rewards, first insurance credit cover and a point scheme for dealers, etc. He is also specialized in BPR (Business Process Re-engineering) system re-designing.

He holds a Masters in Business Administration specialized in Finance from Sikkim Manipal University and is a finalist in Chartered Institute of Management Accountants UK. He is also a member of the Institute of Commercial Management UK and lectures in Credit, Leasing, Hire purchase and relationship marketing, etc.



### **Dr. Pasad Bandujith Kulatunga**

*Non-Independent, Non Executive Director*

Dr. Pasad Kulatunga, Group CEO of Fairway Holdings (Pvt) Ltd, taught Physics at Hobart & William Smith Colleges, in Geneva, New York and was an assistant professor at Lawrence University, in Wisconsin. He also served as a visiting scientist at the Danish Institute of Membrane Physics in Copenhagen, Denmark.

Pasad holds a PhD from Old Dominion University in Atomic & Molecular Physics, and did his Postdoctoral Fellowship at the University of Wisconsin-Madison specializing in Neural Atom Quantum Computing. Pasad earned his Bachelor of Science in Physics and Mathematics from the University of Wisconsin.

### **Mr. Indraraj Ratnasabapathy**

*Independent, Non-Executive Director*

Indraraj started his career at SJMS Associates as a student accountant and supervised and conducted varying assignments on their behalf ranging from the conduct of internal and external audits to feasibility studies and other management assignments in a wide variety of commercial and non-commercial enterprises.

He left accountancy and finance to join iOM DEVELOPMENT (PVT) LTD (formerly known as EDS Development (PVT) Ltd) In 1997 and gained experience in human resource management systems and project management and worked with diverse teams in both service delivery, systems development, project management, systems implementation and integration and curating IT strategies and systems for its clientele.

He joined the Ceylon Printers group in 2001 as the head of finance. He was responsible for the implementation of a new ERP and re-organising the finance and reporting function whilst implementing controls and enhancing best practices and governance in the group. He also oversees human resource and information technology functions of the group. He was inducted to the board in 2018 and was appointed the chairperson in November of 2020.

He is a finalist of the Chartered Institute of Management Accountants.

### **Mrs. Champika Atapattu**

*Non-Independent, Executive Director*

Appointed to the Board in August 2002. Mrs. Atapattu serves the Company as an Executive Director – Legal, an Attorney-at-Law & Notary Public, Mrs. Atapattu graduated from Sri Lanka Law College in 1991 and holds over 25 years of experience as a practicing lawyer and legal officer holding wide-ranging experience across most aspects of the legal profession including litigation, court work, contract law and drafting agreements and advisory services. She also holds further exposure in secretarial work and in addition to her experience in the field of conveyancing.

During her long tenure at Multi Finance, she has served as a Legal Officer, Director and General Manager. Mrs. Atapattu currently overlooks legal and recoveries and has headed operations at our head office and branch network. She has followed several training programs, workshops and seminars conducted by the Central Bank of Sri Lanka, Finance and Banking organizations and Asset management Institutions.

### **Mrs. Dulani Thanuja de Alwis**

*Non-Independent, Non-Executive Director.*

Mrs. Dulani de Alwis is a Past Finalist of Chartered Institute of Management Accountants, London and a holder of Bachelors of Business Administration BBA, University of Colombo.

She has over 15 years of experience in the Finance & Leasing industry.

Currently working as the CEO of Lakderana Investments Ltd.



# MANAGEMENT DISCUSSION & ANALYSIS

## Domestic environment

The Sri Lankan economy underwent historic challenges owing to the worsening COVID-19 pandemic, and resulting disruptions to the significant majority of economic sectors during the 12 months to 31st March 2021. At a macroeconomic level, national GDP contracted by 3.6% Year-on-Year (YoY) in 2020, as compared with 2.3% YoY growth in 2019. The agriculture, industrial and services sector each recorded contractions of 2.4%, 6.9%, and 1.5% respectively, as compared with the previous year.

While between January and March 2021, GDP growth rallied to 4.3% YoY, an uptick in COVID-19 cases at the end of April, is expected to result in even further and more severe economic disruptions over the coming financial year. With many of the nation's most significant sources of foreign exchange earnings being constrained or completely cut off, the Sri Lankan rupee recorded historic depreciation against the US Dollar, which stayed within a range of Rs. 180-200 at the end of the year in review, and into the first quarter of FY21.

This resulted in GDP shrinking by US\$ 80.7 billion in 2020, triggering a downgrade of the sovereign rating over concerns as to Sri Lanka's ability to repay its foreign held debt. Despite these challenges, emergency assistance in the form of currency swaps with India, Bangladesh and China together with extreme restrictions on imports – including new vehicle imports – enabled the country to meet its obligations as at the end of the financial year.

However, further repayments are due, and foreign currency reserves have already been severely depleted. While the year in review concluded with a rebound in exports and manufacturing, the subsequent detection of the Delta variant of COVID-19 and a rapid increase in case detections at the end of the 1QFY21 could result in further damage to key export earning sectors.

Given these challenges, the Central Bank implemented an accommodative monetary policy in order to encourage low cost lending to help revive and sustain the economy. Key policy interest rates were reduced by 250 basis points, while the Statutory Reserve Ratio (SRR) applicable on rupee deposit liabilities of licensed commercial banks was reduced by 300 basis points and Bank rates by 650 basis points.

Maximum interest rates on deposits and debt instruments were further reduced since April 2020 with the objective of reducing interest rates on lending. Consequently, market deposit rates decreased and the Average Weighted New Deposit Rate (AWNDR) and the Average Weighted New Fixed Deposit Rate (AWNFR) recorded their lowest levels of 4.93% in December 2020. Meanwhile, the weekly Average Weighted

Prime Lending Rate (AWPR) reduced to 5.81% by end 2020 and the Average Weighted New Lending Rate (AWNLR) and the Average Weighted Lending Rate (AWLR) each declined to 8.38% and 10.29% respectively.

## Industry performance

Given the severe disruptions reverberating across the economy, the NBFI sector continued to face severe difficulties. Net Interest income reduced by 5.3% YoY down to Rs. 111.2 billion, while Net Interest Margins reduced from 7.7% in 2019 down to 7.3% YoY by December 2020, exacerbated by negative credit growth and rising Non Performing Loans (NPL). Similarly, the sector's collective assets were also eroded, shrinking 2.2% YoY down to Rs. 1.4 trillion. As a result, the sector recorded a collective profit after tax of Rs. 13.7 billion, down 6.1% from 2019.

## Financial and operational highlights

Given the challenges outlined prior, Multi Finance PLC too faced significant challenges in generating revenue. These were exacerbated by restrictions placed on the company's ability to raise funds from customers. Consequently, income during the period reduced from 218.7 million down to Rs. 134.1 million, with net interest income shrinking from Rs. 111.9 million down to Rs. 68.1 million. Meanwhile, fee and commission income reduced from 13.1 million to Rs. 8.1 million.

In response to these challenges, significant cost-cutting initiatives were implemented across the company. These efforts were successful, and resulted in total operating expenses shrinking from 212.6 million down to Rs. 147.4 million during the period in review. The company also instituted Work From Home procedures wherever possible, with its head office and branch network operating on minimal staff strength wherever possible.

Similarly, efforts to strengthen collections enabled Multi Finance to drastically cut down on its impairment costs from loans from Rs. 26.7 million down to Rs. 3.9 million. Additionally, the company reduced all of its borrowings to zero, as compared with Rs. 15.4 million in the previous year. As a result of these outstanding efforts and in the face of significant external challenges, Multi Finance was able to curtail losses for the year in review to Rs. 82.6 million, a significant improvement over the previous loss for the year of Rs. 141.7 million. These improvements carried across to the loss per share which reduced from Rs. 2.23 down to Rs. 1.30 per share by the end of the period in review.

As per statutory requirements, MFPLC's Tier 1 and total capital adequacy ratio stood at 53.2% each, while liquid assets stood at 35.6%, as compared with minimum requirements of 7%, 11% and 6.1% respectively.



## Outlook

Over the course of the next financial year, the management is now working towards consolidation with a larger NBFIs as per the directives of the Central Bank of Sri Lanka. While Multi Finance continues to face challenges in its financial performance owing to inherited issues, the company's team, fundamentals, governance and customer relationships are extremely strong, and while it is ranked as a Category C company, the Management has every expectation of being among the first picks for consolidation with a strong and stable Category A company.

In the interim, the company will continue to optimize on costs while seeking every opportunity to maximize income, within the restrictions currently in place. However, the company, and the wider economy's performance outlook is heavily conditional on the continuing developments around COVID-19.

With cases on the rise by the end of the financial year in review, and a subsequent surge attributed to the emergence of the highly infectious Delta variant, Sri Lanka's health sector is approaching critical mass, and further, and potentially more severe lockdowns cannot be ruled out. However the economic impact of such a development could prove extremely damaging. Given these circumstances, import restrictions are expected to continue during the next financial year, resulting in increased vehicle prices.

However, even prior to the pandemic, Sri Lanka's need for commercial and personal vehicles was already extremely high. Without replacement of older vehicles, and no new imports coming in, supply of vehicles is expected to contract, resulting in further escalation of prices. Inflationary pressure and currency depreciation is also expected to continue at least for the first half of the new financial year, but these conditions could improve, if the pandemic is contained.

The one bright spot for Sri Lanka at present is the vaccination drive which has made significant progress, achieving one of the fastest rates of vaccination in the world. Nevertheless, Sri Lanka is poised on the verge of a serious crisis, and it will require careful coordination and collaboration between all economic sectors to recover. If the country is able to withstand the pandemic long enough to vaccinate its population, it is currently projected that GDP growth could rise to 4.1% - starting from a low base – and moderate at 3.6% in 2022.



# CORPORATE GOVERNANCE

Corporate Governance is the framework of rules and practices by which a Board of Directors ensures accountability, fairness and transparency in an organization's relationship with all its stakeholders. The Board of Directors are responsible for the governance of the Company and has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all of Company's dealings and making the best effort in achieving performance and quality profits. At Multi Finance PLC, we adopt best governance practices and strive to satisfy legitimate claims of all stakeholders ensuring transparency and timely financial reporting. We have continuously refined our structure and systems to ensure governance on the lines as defined all the time, and that the Company is accountable to its stakeholders and the general public. The Board of Directors have committed themselves to ensure that there is effective overseeing of the business operations and to ensure that all such business affairs of the Company are conducted adhering to the highest standards of good governance, embracing established best practices.

The components of the governance structure are designed in a way that the executive authority is well transferred and delegated through a structure ensuring that the Chairman, CEO, Executive Directors and Senior Management are accountable for the Company's functions. This statement describes the application of the Corporate Governance practices within the Company during the period under review.

## Roles and responsibilities of Chairman and CEO

The separation of responsibilities between the Chairman and the CEO is clearly defined. The functions of Chairman and CEO are assigned to two different individuals who ensure that there is a separation of power. The Chairman provides leadership to the Board and ensures that proceedings at meetings are conducted in a proper manner. The Chairman promotes high standards of Corporate Governance.

## Board of Directors

The Board is the highest body of Multi Finance PLC that carries the responsibilities of directing the Company. The members of the Board possess the required expertise, skills and experience to effectively manage and direct the Company in order to maintain highest standards of good governance and attain the organizational goals. They are persons with vision, leadership qualities, proven competence and integrity. The individual profiles of the members of the Board are given in pages 10 to 11 of this Report.

## Composition and Independence

The Board is comprised of 06 members as at 31st March 2021, two (02) of whom are Independent Non-Executive Directors. This gives the Board of Multi Finance PLC the appropriate balance of skills and experience which is conducive for the business carried out by the Company. There exists a diversity of experience and skills on the current Board and the Directors contribute a balance of financial and banking experience together with business experience and skills. Collectively, the Non-Executive Directors (NEDs) bring a wealth of experience and add value through their knowledge, arising from domestic and/or international experience, and specialized functional know-how, ensuring adequate Board diversity in accordance with the principles of Corporate Governance. In order to avoid potential conflicts or bias, the Independent Directors adhere to best practices as illustrated below in addition to making a general disclosure of interests every year and also changes thereto.

The names of the Directors who served during the year under review are disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on pages 41 to 44.

## Tenure, Retirement and Re-election of Directors

At each Annual General Meeting one of the Directors for the time being, shall retire from office and seeks re-election by the shareholders.

The provisions of the Company's Articles of the Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek re-election by the shareholders at that meeting.

## Board Meetings

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter that require the attention of the Board. The Board meets monthly on a regular basis, and wherever necessary special meetings of the Board are held.

During the year ended 31st March 2021, twelve (12) meetings of the Board were held.





The attendances at the meetings were:

Name of Member	Board Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance
1. Mr. Imal Fonseka	12	12	100%
2. Mrs. C J Atapattu	12	12	100%
3. Mr. Pushpika Jayasundera	12	12	100%
4. Mr. Senaka Rohan De Saram (Resigned w.e.f. 23.12.2020)	09	07	78%
5. Mrs. Dulani Thanuja de Alwi (Appointed w.e.f. 01.06.2020) s	10	10	100%
6. Dr. Pasad Kulatunga (Appointed w.e.f. 01.06.2020, Expired on 16.05.2021)	10	09	90%
7. Mr. Indraraj Ratnasabapathy (Appointed w.e.f. 22.12.2020)	03	03	100%

### Board Sub-Committees

The Board strives to ensure that the management of the Company maintains an effective system of internal controls that provides assurance on efficient operations and compliance with applicable laws and regulations. The Board of Directors has delegated some of its functions to Board Sub-Committees, while retaining final decision rights pertaining to matters under the purview of these committees. The following Sub-Committees were in operation during the period under review;

1. Audit Committee
2. Remuneration Committee
3. Integrated Risk Management Committee
4. Related Party Transaction Review Committee

The relevant Sub-Committee Reports are given on pages 36 to 40 in this Report.

### Compliance Officer

Manager - Compliance as the Compliance Officer to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and generally, in business activities undertaken by the Company.

### Management Committees

The Company has identified Committees in-house for Recoveries, Credit and Asset & Liability Management to regulate the relevant areas thereby ensuring that decision-making is on a participatory basis.

### The Management

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief

Executive Officer. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

### Financial Disclosures and Transparency

The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act, Finance Business Act and the directions and rules issued thereunder. Since being listed on the Colombo Stock Exchange, the unaudited provisional quarterly statements of accounts have been published, in compliance with the Listing Rules of the Colombo Stock Exchange.

Messrs. KPMG act as External Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the financial statements of the Company. All the required information is provided for examination to the Auditors.

### Securities Trading Policy

The Company's securities trading policy prohibits all employees and agents engaged by Multi Finance PLC who are aware of unpublished price sensitive information from trading in the Company's shares or the shares of other companies in which the Company has a business interest. The Board, Senior Management as well as certain identified employees in senior executive roles who are privy to the Company's results, in part or in full, prior to their availability to the public, are prohibited from trading during periods leading up to the release of quarterly and annual results.

### Ethical Standards

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company. The Company focuses on the training and career development of employees for the creation of an empowered and committed group of employees.

### Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for.

### Compliance with Central Bank Regulations

As a Registered Finance Company and a Registered Leasing Establishment, the Company is governed by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. Accordingly, the Company has to carry out and maintain business activities in compliance with the Directions from time to time issued by the Central Bank of Sri Lanka.



## CORPORATE GOVERNANCE

### Accountability and Disclosure

The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.

### COMPLIANCE WITH THE FINANCE COMPANIES DIRECTION NO. 03 OF 2008 (AND SUBSEQUENT AMENDMENTS THERETO) ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
<b>2. The Responsibilities of the Board of Directors</b>		
Strengthening the safety and soundness of the Finance Company	2 (1) (a)	Complied with The Company has an approved set of strategic objectives and corporate values approved by the Board. The Board is responsible for formulating strategy, ensuring the adequacy of the risk management processes, review of the internal control system and defining the responsibilities of Corporate Management.
	2 (1) (b)	Complied with The Company has a comprehensive documented Risk Policy approved by the IRMC and then by the Board. The Board sets and oversees the vision, mission, strategic objectives and corporate values of the company and these are regularly communicated to all levels of the company.
	2 (1) (c)	Complied with A strategic plan covering the overall risk parameters has been set up with regular reviews in place through Assets and Liabilities Committee (ALCO) and Integrated Risk Management Committee (IRMC).
	2 (1) (d)	Complied with Board approved policy for communication with stakeholders is available. This policy sets out the processes that the company has in place to provide all stakeholders including shareholders, borrowers, depositors, creditors and the investment community with fair and timely information on the company to enable these stakeholders to engage actively with the company.
	2 (1) (e)	Complied with Audit committee with the assistance of internal audit will review the adequacy and integrity of internal controls of the company.
	2 (1) (f)	Complied with Identification and designation of Key Management Personnel is in place and evaluated by the Remuneration Committee reporting to the Board.
	2 (1) (g)	Complied with The Board comprises of 2 Executive Directors who have specific areas of responsibility. In addition, Non-executive Directors have specific areas of responsibility through the various Sub-committees of the Board as specified in the respective Terms of Reference (TOR) documents. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs which are reviewed by the Remuneration Committee.
	2 (1) (h)	Partially Complied with The Company does not have a documented procedure manual highlighting how the board would monitor the affairs of the finance company by key management personnel. However, the Sub-Committees to the Board exercise appropriate oversight of the affairs of the company by key management personnel and keep the board updated on a periodical basis. Where required, members of the management are required to provide explanation.



Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (1) (i)	Complied with The Company has a documented procedure highlighting the key steps the Board should follow in assessing the effectiveness of the governance practices of the Board. However, the Board ensures that effectiveness of Governance practices is periodically assessed. Compliance officer ensures the due compliance with the regulations and maintains a Compliance Register.
	2 (1) (j)	Complied with A documented Succession Plan is in place for all Key Management positions and are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.
	2 (1) (k)	Complied with Monthly Board meetings are held and all Key Management Personnel (KMPs) are required to participate in such meetings. Business plans and objectives are discussed at these meetings.
	2 (1) (l)	Complied with Compliance officer regularly updates the Board on the regulatory environment as documented in Board minutes.
	2 (1) (m)	Complied with With the approval of the Audit committee and shareholder approval at the Annual General Meeting, due diligence is carried out on external auditors prior to appointing external auditors.
Chairman & CEO	2 (2)	Complied with The Board has appointed the Chairman and CEO and the roles of the Chairman and the CEO are separate.
Independent advice	2 (3)	Complied with Directors are permitted to seek independent advice when necessary. Further the company has a formal documented policy for procedures in seeking independent advice for Directors.
Conflict of interests	2 (4)	Complied with Procedures are in place to ensure that conflicts and potential conflict of interests are properly disclosed to the Board.
Formal schedule of matters to the Board	2 (5)	Complied with The Board has a formal schedule of matters specifically reserved for it and the authorities and responsibilities of the Board are documented in the terms and references of the Board.
Situation of Insolvency	2 (6)	This situation has not arisen during the year.
Corporate Governance Report	2 (7)	Complied with This report addresses the requirement.
Self-assessment by Directors	2 (8)	Complied with The Board has a scheme of annual self-assessment undertaken by each Director.
<b>3. Meetings of the Board</b>		
Board Meetings	3(1)	Complied with The Board met 12 times during the year approximately at monthly intervals.
Inclusion of proposals by all Directors in the agenda	3 (2)	Complied with Proposals from all Directors on promotion of business and management of risk are included in the agenda for regular meetings as and when they arise.
Notice of meetings	3 (3)	Complied with Directors are given notice for Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions.
Non-attendance of Directors	3 (4)	Complied with All current Directors have attended at least 2/3 of the Board meetings held.



## CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Board Secretary	3 (5)	Complied with The Board has appointed a Board Secretary to handle the secretarial services to the Board and to carry out other functions required by Statutes.
Agenda for Board Meetings	3 (6)	Complied with The Board Secretary prepares the Agenda, function of which have been delegated by the Chairman.
Access to the Board Secretary	3 (7)	Complied with Service of the Board Secretary is available for all Directors in discharging their duties to the company.
Minutes of the Meetings	3 (8)	Complied with The Company Secretary records the minutes of the Board Meetings and the Directors have full access to the Minutes of the Board Meetings which are circulated to all Board Directors.
Details of Minutes	3 (9) a to 3 (9) f	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary.
<b>4. Composition of the Board</b>		
Number of Directors	4(1)	Complied with The Board comprised of 06 Directors as at 31st March 2021.
Period of service of Non-Executive Directors	4 (2)	Complied with Non-Executive Directors serving on the Board have not served on the Board for more than 9 years.
Appointment of an employee as a Director	4 (3)	Complied with CEO was appointed to the Board w.e.f. 09th September 2016. Mrs. Champika Atapattu appointed to the Board w.e.f. 01st August 2002. Board consists of six members of whom two of them are Executive Directors. Accordingly the number of Executive Directors does not exceed one – half of Directors of the Board
Independent Non-Executive Directors	4 (4)	Complied with The Board reviews the Independence of Non-Executive Directors on a regular basis. The Board is comprised of Independent Non-Executive Directors who do not hold any shares of the Company and are evaluated on their independence annually based on the Directors' self-declarations: 1. Mr. Imal Fonseka (Independent, Non-Executive Director w.e.f. 01.01.2021) 2. Mr. Senaka De Saram (resigned w.e.f. 23.12.2020) 3. Mr. Indraraj Ratnasabapathy (appointed w.e.f. 22.12.2020)
Alternate Director	4 (5)	Complied with The requirement for appointment of Alternate Directors has not arisen during the year.
Credibility, skills & experience of Non-Executive Directors	4 (6)	Complied with The Directors including Non-Executive Directors are eminent individuals with knowledge, expertise and experience to bring an independent judgement and their detailed profiles are given on pages 10 to 11.
Board Meetings without half the quorum of Non-Executive Directors	4 (7)	Complied with Articles of the Company provides for same.
Details of Directors	4 (8)	Partially Complied with All important corporate communications include the names of the non-executive directors. The Composition of the Board of Directors including the category of Directors has been disclosed on pages 41 to 44 in addition to the disclosures on profiles of Directors on pages 10 to 11 of the Annual Report.



Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Appointment of new Directors	4 (9)	Complied with With the consultation of the Nomination Committee, the Board adopts a formal and transparent procedure that's in place when appointing Directors to the Board. Nominated individuals are screened in accordance with CBSL and CSE's requirement and submitted for prior approval of the Director – Supervision of Non-Bank Financial Institutions of CBSL.
Appointment to fill a casual vacancy	4 (10)	Complied with Mr. Indraraj Ratnasabapathy appointed during the period (22.12.2020) and will be elected at the next Annual General Meeting.
Resignation/ removal of a Director	4 (11)	Complied with Resignation of Directors along with related reasons are duly communicated to the Director of the Department of Supervision of Non-Bank Financial Institutions. Appointments, removal or resignations of Directors of the company are given to the Shareholders by way of the immediate notifications to the CSE.
<b>5. Criteria to assess the Fitness and Propriety of Directors</b>		
Directors over 70 Years of age	5 (1)	Complied with Directors serving on the Board have not reached the age of 70 years as at 31st March 2021.
Holding of office in more than 20 entities	5 (2)	Complied with As at 31.03.2021 none of the Directors hold Directorships in companies/entities/ institutions inclusive of subsidiaries or associate companies of the Company not more than 20 entities, as per the annual disclosures made by them.
<b>6. Management Function delegated by the Board</b>		
Delegation of work to the management	6 (1)	Complied with The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions. As per the Articles of Association the Board may delegate any of their powers to the Board-appointed committees.
Evaluation of the delegated process	6 (2)	Partially Complied with No periodic review of the delegation process by the board. However, the sub committees report to the Board on a periodic basis by which the Board ensures that the delegation process remain relevant to the needs of the finance company.
<b>7. The Chairman and the Chief Executive Officer</b>		
Division of responsibilities of the Chairman & CEO	7 (1)	Complied with The roles of the Chairman and the Chief Executive Officer are separate and performed by two different individuals.
Chairman preferably be an Independent Director and if not appoint a Senior Director	7 (2)	Complied with The Chairman is an Independent Non-Executive Director.
Relationship between Chairman and CEO & other Directors	7 (3)	Complied with The Board is aware that there are no material relationship whatsoever, including financial, business, family, any other relationship impairing the respective roles between the Chairman and the CEO. No relationships prevail among the members of the Board. Details of the Chairman and the CEO are disclosed in the Annual report on page 10.



## CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
The chairman to: (a) provide leadership to the Board; ( b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	7(4)	Complied with The Chairman provides leadership to the Board' as a responsibility of the Chairman. The Board as a body worked effectively and discharged its responsibility as set out in the Annual Report. The annual self-assessment covers evaluating the effectiveness of the Board's discharge of its responsibilities. All key points and strategies pertaining to the business are discussed by the Board on a timely basis
Responsibility of the agenda lies with the Chairman or may be delegated to the Company Secretary	7 (5)	Complied with Agenda has been prepared by the Company Secretary who shares a formal agenda with the Chairman prior to the commencement of the meeting and then circulates.
Ensures that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting	7 (6)	Complied with All meetings minutes circulated to all Directors prior to the meeting.
Encourages each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company	7 (7)	Complied with Almost all Directors have attended for the Board meetings as per the section 3(4) and have effectively participated for the decision making and acts in the best interest of the Company at all time.
Facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between executive and non-executive Directors	7 (8)	Complied with Board meetings are headed by the chairman and any disputes are resolved in a professional manner.  Executive and Non-Executive Directors work together and Non-Executive Directors participate in Board sub-committees.
Does not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever	7 (9)	Complied with Chairman does not engage in executive duties of the company.
Ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board	7 (10)	Complied with At the AGM all significant issues are communicated with the shareholders, if required. Further, the Board-approved Communication Policy evidences the Company's process in this regard.
The Chief Executive Officer functions as the apex executive-in-charge of the day-to-day management of the finance company's operations and business	7 (11)	Complied with The CEO performs as apex Executive-in-Charge of the day-to-day management of company's operations and business. He further ensures appropriate internal controls are in place to assess and manage risks.



Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
<b>8. Board Appointed Sub-Committees</b>		
Board Appointed Sub-committees	8 (1)	Complied with The main Board appointed Sub-committees are Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transaction Review Committee. Minutes of the Sub-committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions are circulated to the Board members.
<b>Audit Committee 8 (2)</b>		
The Chairman of the committee is a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit	(8)(2)a)	Partially Complied with The company appointed Mr. Indraraj Ratnasabapathy as the Chairman of the Audit Committee on 27.01.2021 who is with sufficient qualifications consequent to the resignation of Mr. Senaka De Saram w.e.f. 23.12.2020
Board members appointed to the committee are non-executive Directors	(8)(2)b)	Complied with All Audit Committee members are non-executive Directors
The committee has made recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of accounting standards	8)(2)c)	Complied with The Audit Committee met six times during the year to discuss matters pertaining to the financial reporting processes and the internal control environment of the company. The committee also discusses and implements the guidelines issued by the Central Bank and liaises with the auditors when adopting new accounting standards.
Review and monitor the 'External Auditors' independence, objectivity and effectiveness of the audit processes	8)(2)d)	Partially Complied with External audit is carried out by M/s KPMG and representations have been obtained from the external auditors on their independence. However the company has no any formal policy in relation to the service period Audit fee and any resignation or dismissal of the Auditor
The committee has implemented a policy on the engagement of an external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services (in accordance with Sec 8 2(e) of the regulations)	8)(2)e)	Complied with Company has a documented policy to engage external auditors to provide non audit services in order to ensure that the non-audit services do not impair the independence and objectivity of the External Auditors.
Determines the nature and the scope of the External audit	8)(2)f)	Complied with The Company refers to the engagement letter as a formal document for the scope of the audit. Further, the external auditors discussed the scope of the audit at an Audit Committee meeting prior to commencement of the statutory audit for the year ended 31 March 2021.



## CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Review the financial information of the Company	8)(2)g)	Complied with The auditors were regularly present at the Audit Committee meetings and important financial reporting matters were discussed. Auditors were invited to present to the Audit Committee their "Report to the Audit Committee" Management Letter issues relating to the audit of the prior year were also discussed at the Audit Committee meeting in addition to circulating Quarterly Financial Statements as well as year-end Financial Statements.
The committee has met the external auditors to discuss issues, problems and reservations arising from the interim and the final audit including matters which needs to be discussed in the absence of the executive management by perusing the minutes	8)(2)h)	Complied with Discussions with Auditors were held at the Audit Committee meetings without the Executive directors or staff to discuss matters confidentially.
The committee reviewed the external auditor's management letter and the management's response thereto	8)(2)i)	Complied with A meeting was held on 9 August 2019 to discuss the previous financial year's management letter with the Audit partner. At the Audit Committee meeting held on 14 November 2019, it was confirmed that in general, most of the management letter concerns had been rectified.
The committee has taken the following steps with regard to the internal audit function of the finance company: - Review of the Internal Audit Function - Review scope, function and resources - Review of Internal Audit Program - Review of Internal Audit Department - Recommendations on Internal Audit functions - Appraise the resignation of senior staff of Internal Audit and any outsourced service providers - Independence of Internal Audit functions.	8)(2)j)	Complied with The Internal Audit function is outsourced to PwC. The internal auditors report to the Audit Committee.  Agreed to perform 2 reviews with all branches within a year as per the Letter of engagement 2019/20. Salient features are presented and discussed by the Internal Auditors at the Audit Committee. Audit committee reviews the adequacy of risk based audit plan  Not applicable since the function is outsourced  Considering the scope of work, the management does recommendations Not applicable since the function is outsourced  Internal audit function is unbiased as it is outsourced.
The committee considers the major findings of internal investigations and management's response thereto	8)(2)k)	Complied with Major findings, if any, are discussed at the meetings and documented in the relevant meeting minutes
Attendees of Audit Committee meeting with corporate Management and External Auditors	8)(2)l)	Partially Complied with The Audit Committee met the External Auditors once within the year without the presence of Executive Directors





Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Explicit authority, adequate resources, access to information and obtain external professional advice wherever necessary	8)(2)m)	Complied with The authority and responsibility of the Audit Committee is directed by a Board approved terms of Reference (TOR). The Audit Committee is authorized to obtain external professional advice and to invite outsiders with relevant experience to attend if necessary.
The committee meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities	(8)(2)n)	Complied with Audit committee meetings were held six times during the year
Disclosures in the Annual Report	(8)(2)o)	Complied with The Audit Committee report is on pages 39 to 40 and includes the detailed activities, meetings held during the year and the Directors attendance at the Audit Committee Meetings
Maintain minutes of meetings	(8)(2)p)	Complied with The Company Secretary who is also the Audit Committee Secretary maintains all relevant meeting minutes.
Whistleblower Policy	(8)(2)q)	Complied with The Company has a Board-approved Whistleblowing Policy whereby employees of the Company are entitled to raise concerns in confidence about the malpractices of the Company
<b>Integrated Risk Management Committee 8 (3)</b>		
The composition of IRMC	8 (3)a)	Complied with The committee is comprised of the Chairman and two Executive Directors including the CEO. KMPs including the Senior Manager – Finance and Head of Compliance are also usually present for the IRMC meetings
Periodical risk assessment	8 (3)b)	Partially Complied with The company is maintaining a track of risks which includes all the business processes and the identified risk areas in those processes including Operational risk, Strategic risk, Interest rate risk, Credit Administration risk, Credit origination risk and Reputational risk. According to that pre-established risk indicators are reviewed by the Committee on a quarterly basis and not monthly basis.
Review the adequacy and effectiveness of Management level committees to manage risk	8 (3)c)	Complied with The committee reviews the adequacy and effectiveness of all management level committees the asset-liability committee to address specific risks such as credit risk and market risk and to manage those risk.
Corrective action to mitigate the risk.	8 (3)d)	Complied with The discussions and conclusions reached at such meetings are circulated to the Board of Directors at the next monthly Board Meeting.
Frequency of meetings	8 (3)e)	Complied with The Committee meetings have been held quarterly (4 times during the year, in 3 month intervals)
Actions against the officers responsible for failure to identify risks and take prompt corrective action	8 (3)f)	Complied with No such instances have been brought forward to the committee during the period. Disciplinary actions against any non-compliances are taken by the head of departments.



Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Risk assessment report to the Board	8 (3)g)	Partially Complied with The Committee does not submit a risk assessment report to the Board. However, the minutes of the discussions and conclusions reached at Committee meetings are circulated to the Board of Directors at the next monthly Board Meeting.
Establishment of a compliance function	8 (3)h)	Complied with Manager Compliance functioned as the compliance officer of the company.
<b>9. Related Party Transactions</b>		
Avoiding conflict of interests in related party transactions and favorable treatment	9 (2)	Complied with The Company has formally documented terms of reference to facilitate the related party review committee to evaluate related party transactions based on a set of guidelines. However the Board has taken necessary steps to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard 24 (LKAS 24) on "Related Party Transactions". Major transactions with the related parties are presented to the Related Party Transaction Review Committee for their consent and approval. The Board appointed Related Party Transactions Review Committee ensures that the transactions with Related Parties are in accordance with best practices. Transactions carried out with Related Parties in the ordinary course of business (Recurrent transactions) are disclosed in the Financial Statements on 'Related Party Transactions' under note 35 on pages 100 to 101 in Financial Statements.
Related party Transactions	9 (3)	Complied with The Board also ensures that no related party benefits from favorable treatment. The Board has also established a related party review committee to analyze related party transactions.
Monitoring of related party transactions defined as more favorable treatment including	9 (4)	Partially Complied with The Board ensures that no related party benefits from more favorable treatment. The Board has also established a Related Party Transaction Review Committee to analyze related party transactions. The Board transacts with related parties as per the definition of LKAS 24. All transactions were transacted at an arm's length The Board has taken necessary steps to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard 24 (LKAS 24) on "Related Party Transactions". The Board also ensures that no related party benefits from favorable treatment



Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance									
<b>10. Disclosures</b>											
Publish Interim and Annual Financial Statements based on applicable accounting standards and publish in Sinhala, Tamil and English newspapers	10 (1)	Complied with The audited financial statements for the year ended 31 March 2021 were verified by the Board for compliance with all rules and regulatory requirements and applicable accounting standards. The above-mentioned financial statements are duly signed and authorized by two members of the Board, namely the CEO and the Chairman. All financial statements were published in the newspaper in all three languages.									
Minimum disclosure in the Annual Report	10 (2) a) – 10 (2)e)	Complied with All necessary disclosures have been included in the Annual Report 2020/21.									
Total net accommodation outstanding and the net accommodation outstanding in respect of each category of related parties as a percentage of the capital funds.	10 (2) f)	Complied with All necessary disclosures have been included in the Annual Report 2020/21. <table border="1"> <thead> <tr> <th>Category of related party transactions</th><th>Outstanding as at 31.03.2021 (Rs.)</th><th>Percentage of Capital Funds</th></tr> </thead> <tbody> <tr> <td><b>Parent Company</b></td><td></td><td></td></tr> <tr> <td>Fairway Holdings (Pvt) Ltd</td><td>7,177,683</td><td>1.24%</td></tr> </tbody> </table>	Category of related party transactions	Outstanding as at 31.03.2021 (Rs.)	Percentage of Capital Funds	<b>Parent Company</b>			Fairway Holdings (Pvt) Ltd	7,177,683	1.24%
Category of related party transactions	Outstanding as at 31.03.2021 (Rs.)	Percentage of Capital Funds									
<b>Parent Company</b>											
Fairway Holdings (Pvt) Ltd	7,177,683	1.24%									
The disclosure in the Annual Report	10 (2)g) – 10 (2)h)	Complied with Related disclosures have been made.									
A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns	10 (2) i)	Partially Complied with With reference to the core capital requirement, company is in the process of discussion and negotiating with both local & foreign investors to inject the required capital as per minimum core capital direction No.2 of 2017. At the same time discussion are underway for a consolidation/merger in line with CBSL plan to consolidate non-banking financial institutions. Further non-compliance is identified in Direction 9(4) of this report as the Company has failed to comply with Section 2(ii) of Finance Companies (Lending) Direction No. 1 of 2007 due to granting a finance lease facility to its parent company, Fairway Holdings (Pvt) Ltd amounting Rs. 7.35 Mn on 28.05.2018 at an interest rate of 16.5% p.a. despite the prohibitions in the Direction on lending to parent company. However, this loan was fully settled on 01.04.2021.									
The External Auditors' certification of compliance with the corporate governance direction	10 (2) j)	Complied with The Company has obtained a report of factual findings from the external auditors over the compliance with Corporate Governance Directions.									



## CORPORATE GOVERNANCE

### COMPLIANCE WITH SECTION 7.10 ON CORPORATE GOVERNANCE OF THE CONTINUING LISTING RULES OF THE COLOMBO STOCK EXCHANGE

SECTION	RULE NO.	REQUIREMENT STATUS	COMPLIANCE	DETAILS
Non Executive Directors	7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied with	Four Directors on Board are Non-Executive Directors as at 31st March 2021.
	7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Complied with	Mr.Indraraj Ratnasabapathy appointed during the period (22.12.2020) and will be elected at the Forthcoming Annual General Meeting.
	7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied with	
Independent Directors	7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Complied with	The Board comprises of four Non-Executive Directors and two of them are Independent.
	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	Complied with	The Directors have submitted the required declarations.
Disclosures relating to Directors	7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report	Complied with	The company's Independent Non-Executive Directors are <ul style="list-style-type: none"> <li>• Mr.Imal Fonseka (Independent Non-Executive Director w.e.f. 01.01.2021)</li> <li>• Mr. Senaka De Saram (resigned w.e.f. 23.12.2020)</li> <li>• Mr.Indraraj Ratnasabapathy (appointed w.e.f. 22.12.2020)</li> </ul>
	7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Complied with	All Independent Directors of the Company met the criteria for independency specified in this rule.
	7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied with	Please refer Profiles of Directors in pages from 10 to 11.
	7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board	Complied with	Please refer Profiles of Directors in pages 10 to 11.
Criteria for defining 'independence'	7.10.4(a-h)	Requirements for meeting criteria to be Independent	Complied with	All Independent Directors of the Company met the criteria for independency specified in this rule.



SECTION	RULE NO.	REQUIREMENT STATUS	COMPLIANCE	DETAILS
Remuneration committee	7.10.5	A listed company shall have a Remuneration Committee	Complied with	Please refer the Report of the Remuneration Committee in the page 37 of the Annual Report.
	7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non- Executive Directors, whichever is higher.	Complied with	The Remuneration Committee comprises of two Independent Non-Executive Directors; - Mr. Senaka De Saram (resigned w.e.f. 23.12.2020) - Mr. Imal Fonseka - Mr. Indraraj Ratnasabapathy (appointed to Remuneration Committee w.e.f. 27.01.2021)
		One Non-Executive Director shall be appointed as Chairman of the committee by the Board	Complied with	Mr. Imal Fonseka who is an Independent, Non-Executive Director functioned as Chairman of the Remuneration Committee
	7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Complied with	Please refer the Report of the Remuneration Committee
	7.10.5 (c)	The annual report shall set out: • The names of the Directors that comprise the Remuneration Committee • A statement of remuneration policy • Aggregate remuneration paid to Executive and Non-Executive Directors	Complied with	Please refer the Report of the Remuneration Committee on page 37.
Audit Committee	7.10.6	A listed company shall have an Audit Committee	Complied with	Please Refer pages 39 to 40 of the Annual Report.
	7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.	Complied with	• Mr. Imal Fonseka • Mr. Senaka De Saram (resigned w.e.f. 23.12.2020) • Mr. Indraraj Ratnasabapathy (appointed w.e.f. 27.01.2021)
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Complied with	Mr.Indraraj Ratnasabapathy , who is an Independent, Non-Executive Director functions as the Chairman of the Audit Committee.



## CORPORATE GOVERNANCE

SECTION	RULE NO.	REQUIREMENT STATUS	COMPLIANCE	DETAILS
		Unless otherwise determined by the Audit Committee, the Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied with	The CEO, and Senior Finance Manager attends all Audit Committee meetings.
		The Chairman or one member of the Committee should be a member of a recognized professional accounting body	Not Complied with	Consequent to the resignation of Mr. Senaka De Saram w.e.f. 23.12.2020 none of Directors as at 31.03.2021. (Mr.Prasad Polwatte was appointed to the Audit Committee w.e.f. 30.06.2021 who is a member of professional accounting body.)
	7.10.6 (b)	The functions of the Audit Committee shall be as set out in the section 7.10.6 (b) of the Listing Rules.	Complied with	Please refer the Report of the Audit Committee on pages from 39 to 40.
	7.10.6 (c)	The annual report shall set out (i) the names of the Directors who comprise the Audit Committee; (ii) The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination (iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	Complied with	Please refer the Report of the Audit Committee on pages from 39 to 40 for the required disclosures.



## GOVERNANCE ISSUED JOINTLY BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA AND THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ("CODE")

### Section I – THE COMPANY

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>A. DIRECTORS</b>		
<b>A.1 The Board</b>		
The Company is headed by an effective Board which comprises of professionals with having required professional competence, skills and experience to lead and control the Company. The Board gives leadership in setting the strategic direction and implement sound control environment for the successful functioning of the Company.		
Board Meetings	A.1.1	Complied with During the year, the Board met 12 times.
Role of the Board	A.1.2	Complied with The Board engages in providing direction in formulating a sound business strategy and closely monitors the implementation of the strategy effectively.
Compliance with laws & seeking Independent Professional Advice	A.1.3	Complied with The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice when deemed necessary at the Company's expense.
Access to advice & services of the Company Secretary	A.1.4	Complied with All Directors have access to the advice & services of the Company Secretary & the appointment/removal of the Company Secretary should be by resolution involving the whole Board.
Independent Judgment of Directors	A.1.5	Complied with All Directors exercise independent judgment on issues of strategy, performance, resources and standard of business conduct. Non-Executive Directors are responsible for providing independent judgment on the proposals made by the Executive Directors.
Dedication of adequate time & effort to matters of the Board and the Company	A.1.6	Complied with All Directors dedicate their time and effort to ensure their duties towards the Board & the Company are satisfactorily discharged. In addition, Directors function as members of one or more sub-committees & ensure that adequate time & effort is allocated to discharge their duties towards the Board Sub-Committees. All the Board papers are made available at least seven days prior to the Board meetings for the Directors.
If necessary in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board	A.1.7	Complied with Necessity did not arise during the year.
Board induction and training	A.1.8	Complied with Every Director is provided adequate training when appointed to the Board. The Directors are constantly updated on the latest trends and issues facing the Company and the industry in general. Further time to time corporate management makes presentations with regard to the business environment to update the knowledge.
<b>A.2 Chairman &amp; the Chief Executive Officer</b>		
There should be a clear division of responsibilities at the head of the Company which will ensure balance of power and authority so that no one individual has unfettered powers of decision. The Chairman as well as the CEO have a clear distinction of responsibilities and balance in power and authority.		
Separation of the roles of Chairman & CEO	A.2.1	Complied with



## CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>A.3 Chairman's Role</b> The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board.		
Role of the Chairman	A.3.1	Complied with The Chairman conducts Board proceedings in a proper manner and ensures that effective participation of both Executive and Non-Executive Directors is secured and the balance of power between Executive and Non-Executive Directors is maintained.
<b>A.4 Financial Acumen</b> The Code requires that the Board should be comprised of members with sufficient financial acumen and knowledge to offer guidance on financial matters.		
Financial Acumen & Knowledge	A.4.1	Complied with The Board comprises of members with academic & professional qualifications in Accounting, Business Finance & Management. Please refer Profiles of the Directors.
<b>A.5 Board Balance</b> The Code requires the Board to maintain a balance between Executive Directors and Non-Executive Directors (NEDs) so that, no individual or small group can dominate the Board's decision making.		
Presence of a Strong Team of NEDs	A.5.1	Complied with The Board comprised of four non-executive Directors as at 31st March 2020, two of whom were Independent.
Independence of NEDs	A.5.2 & A.5.3	A.5.2 Complied with. The following 2 NEDs are Independent Directors as at 31st March 2021. 1. Mr. Imal Fonseka (Independent Non-executive Director w.e.f. 01.01.2021) 2. Mr. Senaka Rohan De Saram (resigned w.e.f. 23.12.2020) 3. Mr. Indraraj Ratnasabapathy (appointed w.e.f. 22.12.2020) A.5.3 Complied with
Annual Declaration by NEDs on Independence	A.5.4	Complied with All Independent Directors above have submitted their written declarations with regard to their independence as required by the Code.
Annual Determination by the Board on Independence of NEDs	A.5.5	Complied with The Board has determined the independence of the NEDs based on the written declarations submitted.
Appointment of an Alternate Director	A.5.6	The requirement did not arise.
Appointment of Senior independent Director & Availability of himself for confidential discussions	A.5.7 & A.5.8	Not relevant/not applicable
Conducting meetings with NEDs only	A.5.9	Complied with The Chairman holds a meeting once a year with Non-Executive Directors.
Recording in Board Minutes concerns which cannot be unanimously resolved	A.5.10	Complied with Concerns of the Directors which cannot be unanimously resolved if any, are recorded with adequate details. All minutes are circulated to the members of the Board & formally approved at the subsequent meeting.
<b>A.6 Provision of appropriate and timely information</b> The Code requires the Management to provide timely information in a form and of a quality appropriate to enable the Board members to discharge their duties.		
Obligation of the Management to provide appropriate & timely information to the Board	A.6.1	Complied with
Adequate Notice for Board Meetings	A.6.2	Complied with





Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>A.7 Appointments to the Board</b>		
The Code requires the Company to have formal & transparent procedure to appoint new Directors to the Board.		
Presence of a Nomination Committee & Annual Assessment of composition of the Board	A.7.1 & A.7.2	Complied with
Disclosure requirements when new appointments are made to the Board	A.7.3	Complied with
<b>A.8 Re-Election</b>		
The Code requires all Directors to submit themselves for re-election at regular intervals and at least once in every 3 years.		
Re-election of NEDs	A.8.1	Complied with
Appointment of Chairman & Directors subject to election by shareholders at the first opportunity	A.8.2	Complied with
<b>A.9 Appraisal of Board Performance</b>		
Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
Appraisal of Board performance	A.9.1	Complied with
Annual self-evaluation by the Board	A.9.2	Complied with
Disclosure of criteria for performance evaluation	A.9.3	Complied with
<b>A.10 Disclosure of Information in respect of Directors</b>		
Shareholders should be kept advised of relevant details in respect of Directors.		
Disclosure of Information on the Directors in the Annual Report	A.10.1	Complied with Brief Profiles of the Directors with expertise & experience, other business interests, Remuneration & status of independence are disclosed in this Annual Report.
<b>A.11 Appraisal of the Chief Executive Officer (CEO)</b>		
The Code requires that the Board should assess the performance of the CEO at least annually.		
Setting Annual Targets & Appraisal of Performance of the CEO	A.11.1 & A.11.2	Complied with At the end of the year, the Board evaluates the performance of the CEO and ascertains if the agreed objectives have been achieved.
<b>B. DIRECTOR'S REMUNERATION</b>		
<b>B.1 Remuneration Procedure</b>		
The Code requires that the Company should establish a formal & transparent procedure for developing an effective remuneration policy for both Executive Directors & NEDs where no director is involved in deciding his/her own remuneration to avoid conflicts of interests.		
Establishment of a Remuneration Committee	B.1.1	Complied with A Remuneration Committee has been appointed and functions within agreed terms of reference. Refer Report of the Remuneration Committee.
Composition of the Remuneration Committee	B.1.2 B.1.3	Complied with Complied with <ul style="list-style-type: none"> <li>The Remuneration Committee comprises of two Independent Non-Executive Directors as at 31st March 2021.</li> <li>Mr. Imal Fonseka (Independent Non-Executive Director w.e.f. 01.01.2021)</li> <li>Mr. Senaka De Saram (resigned w.e.f. 23.12.2020)</li> <li>Mr. Indraraj Ratnasabapathy (appointed w.e.f. 22.12.2020)</li> </ul>
Determination of Remuneration of the NEDs	B.1.4	Complied with The NEDs receive a fee for being a director of the Board.
Ability to consult the Chairman and/or CEO and to seek professional advice by the Committee	B.1.5	Complied with



## CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>B.2 Level &amp; Make-Up of Remuneration</b> Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.		
Remuneration of Executive Directors	B.2.1	Complied with Executive Directors do not set their own remuneration.
Competitiveness of levels of Remuneration	B.2.2	Complied with When positioning remuneration levels relative to other companies in the industry, due care is taken to ensure that remuneration is commensurate with the comparative performance/scale of other companies in the industry.
Annual Revisions in Remuneration & Comparison with other Group Companies	B.2.3	Complied with The Remuneration Committee reviews the annual increments provided to Companies within the Group, when deciding on increments for staff.
Performance based Remuneration for Executive Directors	B.2.4	Not applicable
Executive Share Options	B.2.5	Not applicable
Designing schemes of Performance related Remuneration	B.2.6	Complied with Performance related Remuneration Schemes are approved by the Remuneration Committee.
Early Termination of Executive Directors	B.2.7 & B.2.8	Not applicable Terminations of Executive Directors, CEO & Chief Operating Officer are governed by their contracts of service/employment.
Levels of Remuneration of NEDs	B.2.9	Complied with NEDs are remunerated in line with market practices.
<b>B.3 Disclosure of Remuneration</b> The Company's Annual Report should contain a statement of Remuneration Policy and details of remuneration of the Board as whole.		
Disclosure of Remuneration	B.3.1	Complied with Refer the Report of the Remuneration Committee for the Remuneration Policy and details of the Remuneration Committee. Aggregate remuneration paid to the Directors is disclosed in the Financial Statements.
<b>C. RELATIONS WITH SHAREHOLDERS</b> <b>C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings</b> The Code requires that Board uses the AGM to communicate with shareholders and encourage their participation. The Board should encourage all shareholders to attend and actively participate at the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the CEO and the Chairmen of Board Sub-Committees should be present at the AGM to answer any queries.		
Use of proxy votes	C.1.1	Complied with As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution.
Separate resolutions for separate issues	C.1.2	Complied with Separate resolutions are placed before shareholders for business transactions at the AGM.
Availability of Chairmen of Board Committees	C.1.3	Complied with Chairman of the Company ensures that all Sub-Committee Chairmen are present at the AGM to answer any queries.
Adequate Notice of AGM to the Shareholders together with the summary of the Procedure	C.1.4 & C.1.5	Complied with Adequate notice is given to the shareholders for the AGM & a summary of the procedures governing voting at the AGM is provided in the proxy form.



Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>C.2 Communication with Shareholders</b>		
The Board should implement effective communication with Shareholders		
Channel to reach all shareholders to disseminate timely information	C.2.1	Complied with Primary modes of communication with shareholders are the Annual Report & AGM. The following channels were also used; <ul style="list-style-type: none"> <li>• Financial and other notices as and when required</li> <li>• through the Colombo Stock Exchange</li> <li>• Corporate website</li> <li>• Press notices</li> </ul>
Policy and Methodology of Communication & Implementation	C.2.2 & C.2.3	Complied with Refer Section C.2.1 above.
Contact Person	C.2.4	Complied with
Awareness of Directors on major issues and concerns of Shareholders	C.2.5	Complied with A process has been adopted to ensure that all Directors are aware of the major issues and concerns raised by Shareholders.
Contact Person for Shareholders	C.2.6	The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary.
Process for responding to Shareholders	C.2.7	All shareholder correspondence is via company secretarial division.
<b>C.3 Major and Material Transactions</b>		
The Code requires the Directors to disclose to all shareholders all proposed material transactions which would materially alter the net asset position of the Company.		
Major Transactions	C.3.1	Complied with.
<b>D. ACCOUNTABILITY AND AUDIT</b>		
<b>D.1 Financial Reporting</b>		
The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
Board's responsibility for Statutory & Regulatory reporting	D.1.1	Complied with The interim accounts and annual financial statements were published on a timely basis during the year. Regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the year.
Declarations by Directors in the Director's Report	D.1.2	Complied with Refer Annual Report of the Board of Directors on pages 41 to 44.
Statements by Directors & Auditors on Responsibility for Financial Reporting	D.1.3	Complied with Refer the Statement of Directors' Responsibility and Report of the Independent Auditors on page 45 and pages 49 to 51 respectively.
Management Discussion and Analysis	D.1.4	Complied with Refer Management Discussion and Analysis on pages 12 to 13.
Declaration by Directors on the Going Concern of the Business	D.1.5	Complied with Refer Annual Report of the Board of Directors on pages 41 to 44.
Serious Loss of Capital	D.1.6	Situation has not arisen.
Disclosure of Related Party Transactions	D.1.7	Complied with Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the Company during the year.



## CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>D.2 Internal Control</b> The Board has overall responsibility for the system of internal controls to safeguard shareholder's investments and the Company's assets and has delegated certain of these responsibilities to the Board appointed Audit Committee (AC).		
Evaluation of internal controls by the Board	D.2.1	Complied with In order to ensure that a sound system of internal controls is maintained, the AC ensures that an internal audit programme (which is adequate in terms of coverage and scope) is prepared on an annual basis.
Internal Audit function	D.2.2	Complied with The internal audit function has been outsourced to a leading firm of Chartered Accountants namely PWC. The Board believes that this provides greater access to global best practices and independence from management. The internal auditors may also carry out any additional tasks they deem necessary to effectively discharge their duties.
<b>D.3 Audit Committee</b> The Board has delegated its responsibility with regard to financial reporting, internal controls and maintaining an appropriate relationship with the Company's Auditors to the AC. Accounting policies are agreed with auditors and the AC and are applied on a consistent basis.		
Composition of the Audit Committee	D.3.1	Complied with. The Audit Committee comprises of two Independent Non-Executive Directors as at 31st March 2021. Mr. Imal Fonseka (Independent, Non-Executive Director w.e.f. 01.01.2021) Mr. Senaka De Saram (resigned w.e.f. 23.12.2020) Mr. Indraraj Ratnasabapathy (appointed w.e.f. 22.12.2020)
Duties of the Committee	D.3.2	Complied with As per its charter, the AC is responsible for reviewing the scope and results of the audit and its effectiveness.
Terms of Reference for Audit Committee	D.3.3	Complied with The AC operates within clearly defined Terms of Reference which have been approved by the Board.
Disclosure of Names of Members of the Audit Committee	D.3.4	Complied with The details and composition of the AC are provided in the Report of the Audit Committee.
<b>D.4 Code of Business Conduct and Ethics</b> The Code requires the Company to adopt an Internal Code of Conduct & Ethics to be followed by all Directors and Key Management Personnel.		
Code of Business Conduct and Ethics	D.4.1	Complied with The Company has issued a Code of Conduct & all Directors, Senior Management & all Employees are required to adhere to same.
Affirmation from the Chairman	D.4.2	Complied with The Chairman is not aware of any violation of the Company's Code of Ethics.
<b>D.5 Corporate Governance Disclosures</b> The company is fully compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.		
Annual Corporate Governance Report in the Annual Report	D.5.1	Complied with This requirement is met through the presentation of this report.



## Section II – SHAREHOLDERS

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>E INSTITUTIONAL INVESTORS</b>		
<b>E.1 Shareholder Voting</b>		
The Code requires institutional shareholders to make considered use of their votes and encourage to ensure that their voting intentions are translated into practice.		
Regular and structured dialogue with Shareholders	E.1.1	Complied with The AGM is used as a forum to have a structured, objective dialogue with Shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.
<b>E.2 Evaluation of Governance Disclosures</b>		
The Code requires the Company to encourage Institutional investors to give due weight to all relevant factors drawn to their attention.		
Due weight by Institutional Investors	E.2.1	Complied with The Institutional Investors are at liberty to give due weight to the matters related to the Board structure & composition, when they consider resolutions related to same.
<b>F. OTHER INVESTORS</b>		
<b>F.1 Investing/Divesting Decisions</b>		
The Code requires the Company to encourage other investors to seek independent advice in making investing or divesting decisions		
Seek independent advice in investing or divesting decisions	F.1.1	Complied with Individual shareholders are encouraged and has the liberty to carry out independent analysis & research and seek independent advice prior to making investing or divesting decisions.
<b>F.2 Shareholder Voting</b>		
The Code requires the Company to encourage individual shareholders to participate at shareholder meetings and exercise their voting rights.		
Encourage voting by Individual Shareholders	F.2.1	Complied with All shareholders are encouraged to participate at General Meetings and cast their votes and notices of meetings are dispatched to them by the Company with adequate time.

# REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) is a sub-committee of the Board, established in compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008 to provide an independent oversight of the Company's Risk management. This is sought to be achieved through reviewing reports on the Company's IRM framework, reports that assess the nature and extent of risks faced by the Company and its risk appetite and reviewing the Risk Strategy Action Plan. The IRMC is required to monitor and review any escalated items and also monitor any outputs of any investigations and the implementation of management activities related to any escalated items. The Committee reports to the Board on the outcome of its monitoring and review of activities.

## Composition

The IRMC of the Company during the period under review comprised of the following members:

1. Mr. Imal Fonseka - Chairman
2. Mr. Pushpike Jayasundera - Member
3. Ms. Champika Atapattu - Member

## Authority

The Committee is authorized to:

1. Investigate any activity within its Terms of Reference
2. Set priorities for the work of the functions related to the IRMC
3. Seek any information it requires from any employee and all employees should co-operate with the requests of the IRMC
4. Obtain external legal advice or independent professional advice and such advisors may be requested to attend meetings as necessary.

## Responsibilities

The IRMC is responsible for undertaking;

1. The matters specified and to ensure that the Company has a comprehensive risk management framework and to ensure that appropriate compliance policies and systems are in place
2. To assess all risk types, including but not limited to credit, the market, liquidity, operational and strategic risks to the Company, through appropriate risk indicators and management information
3. To ensure risk decisions are taken in accordance with established delegated authorities and corrective actions are taken to mitigate risks beyond the risk tolerance of the Committee on the basis of the Company's policies and regulatory and supervisory requirements

4. To monitor and assess the effectiveness of the Company's Risk Management System and the robustness of the risk management function.
5. To establish a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies relating to all areas of business operations.

## Other

1. Decide upon appropriate recruitment, training and development for the Board, IRMC, Senior Management, Audit, Finance and Operations Divisions to ensure the requisite skills are available to monitor and control risk
2. Review results of internal audit reports, feedback from external auditors and any other regulations/pronouncements/correspondence from external bodies which, consider the effectiveness and appropriateness of the control environment of the core business function and authorize specific action arising thereof
3. Review compliance of the Company with all regulatory guidelines

## Committee Evaluation

1. The Committee members shall conduct an annual review of their effectiveness by the end of each financial year of the Company and any changes to the approved Terms of Reference (TORs) will be documented and reported to the Board.
2. If required, the approved TORs can be made available on the Company's website in line with the best practices and to uphold Corporate Governance values.

## Meetings

The Committee met four (04) times during the period under review. The attendance at the meetings were,

	Name of Directors	Attendance
1	Mr. Imal Fonseka (Chairman)	4/4
2	Mr. Pushpike Jayasundera	4/4
3	Ms. Champika Atapattu	4/4



**Mr. Imal Fonseka**

Chairman

Integrated Risk Management Committee

30th June 2021



# REPORT OF THE REMUNERATION COMMITTEE

The Board appointed Remuneration Committee (RC) comprises of the following members;

1. Mr. Imal Fonseka	- Independent, Non-Executive Director w.e.f. 01.01.2021
2. Mr. Indraraj Ratnasabapathy	- Independent, Non-Executive Director (Appointed w.e.f. 27.01.2021)
3. Mr. Senaka De Saram	- Independent, Non-Executive Director (Resigned w.e.f. 23.12.2020)
4. Dr. Pasad Kulatunga	- Non Independent, Non Executive Director (Appointed w.e.f 29.07.2020, Deceased-16.05.2021)

## Duties and Responsibilities

The Committee was established for the purpose of recommending the remuneration of the Board of Directors including the Chairman, CEO, other Executive Director and Key Management Personnel. The Committee has acted within the parameters set by its Terms of Reference. No Director is involved in determining his own remuneration. All Non-Executive Directors receive a fee for serving on the Board.

## Remuneration Policy

The primary objective of the Remuneration Policy of the Company is to attract and retain highly qualified and experienced staff and offer rewards for their performance commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long term shareholder return.

## Attendance and seeking Professional Advice

1. The Chief Executive Officer and other relevant Executive Directors shall be invited to attend meetings and shall be consulted on the performance and remuneration of Executive Directors and make proposals as necessary.
2. The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when considered necessary.

## Frequency of Meetings

The Committee meets as often as necessary and makes recommendations on compensation structures and bonuses, increments and also on matters pertaining to recruitment of Key Management Personnel to ensure that the management and staff at all levels are adequately rewarded for their performance and commitment to the Company's goals on a competitive basis.

There was no requirement to convene a meeting during the period under review.

Details of of the Directors' remuneration paid during the year under review is set out in Note No. 10 to the Financial Statements.

**Imal Fonseka**

Chairman

Remuneration Committee

30th June 2021



# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

## Objective of the Committee

The Committee reviews all related party transactions of Multi Finance PLC to ensure that the Company complies with the Rules set out under Section 9 of the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008, the proceedings of which are reported regularly to the Board.

The Board appointed Related Party Transactions Review Committee combines the skills of Independent and Non-Executive Directors as recommended by the Code of Best Practice on Related Party Transactions.

The Committee comprise of the following members.

1. Mr. Imal Fonseka	- Member (Independent Non-Executive Director w.e.f. 01.01.2021)
2. Mr. Indraraj Ratnasabapathy	- Member (Independent, Non-Executive Director) (Appointed w.e.f. 27.01.2021)
3. Mr. Senaka De Saram	- Member (Independent, Non-Executive Director) (Resigned w.e.f. 23.12.2020)
4. Mrs. Dulani Thanuja de Alwis	- Member (Non Independent Non Executive Director) (Appointed w.e.f. 29.07.2020)

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

## Duties and Responsibilities

The Committee is responsible for assisting the Board in reviewing all Related Party Transactions carried by the Company. Primary responsibilities of the RPRC include;

1. Reviewing and updating the Board on the Related Party Transactions of the Company
2. Formulating and recommending for adoption by the Board of Directors, a RPT policy consistent with what is proposed by the Colombo Stock Exchange and as per the direction issued by Central Bank of Sri Lanka on Finance Companies (Corporate Governance) Direction No. 3 of 2008.
- 3 Ensuring adequate disclosures in the Annual Report
4. Ensuring market disclosures are made as required by the Continuing Listing Requirements of the Colombo Stock Exchange

## Related Party Transactions/Disclosures during the year

- Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors.
- There were no non-recurrent RPTs occurred during the year which need to be disclosed in terms of Rule 9.3.1 of the Listing Rules or in the Annual Report as per Rule 9.3.2(a) of the Listing Rules.
- The aggregate value of recurrent RPTs entered into, during the year was below the threshold for disclosure in the Annual Report as per Rule 9.3.2(b) of the Listing Rules.

## Review Procedure of the Committee

Information is obtained from the Company Secretary and all internal departments of the Company on a regular basis for reviewing the Related Party Transactions of the Company

## Frequency of Meetings

The Committee met four times during the period.

## Declaration

The Declaration by the Board of Directors on compliance with the Listing Rules of the Colombo Stock Exchange and aforementioned rules on the Corporate Governance of Finance Companies on Related Party Transactions is contained on page 42 of the Annual Report of the Board of Directors on the Affairs of the Company.

On behalf of the Committee,

**Mr. Imal Fonseka**

Chairman- Related Party Transactions Review Committee  
30th June 2021





# REPORT OF THE AUDIT COMMITTEE

The Audit Committee (AC) assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management, internal auditing and the assessment of internal controls. The AC also reviews the effectiveness of the Company's internal controls through review and follow-up of the company's internal audit reports and manages the Company's relationship with the External Auditors.

The Committee in discharging its responsibilities places reliance on the work to the extent and in the manner it considers appropriate, without prejudicing the independence of the other Committees.

## Composition of the Audit Committee

The Audit Committee comprises of Two Independent Non-Executive Directors and One Non-Independent Non-Executive Director as at 31st March 2021.

The Audit Committee comprised of the following members;

• Mr. Senaka De Saram - (Chairman)	Independent, Non-Executive Director (Resigned w.e.f. 23.12.2020)
• Mr. Indraraj Ratnasabapathy (Chairman)	Independent, Non-Executive Director (Appointed w.e.f. 27.01.2021)
• Mr. Imal Fonseka	Independent, Non-Executive Director w.e.f. 01.01.2021
• Mrs. Dulani Thanuja de Alwis	Non-Independent Non-Executive Director
• Mr. J. Prasad Polwatte (Chairman)	Independent, Non- Executive Director (Appointed w.e.f. 28.06.2021)

## Functions

The duties of the Audit Committee include keeping under review, the scope and results of the audit, its effectiveness, independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money.

## Authority, Duties and Responsibilities

The authority duties and responsibility is carried out in the following manner based on the information submitted to the Audit Committee by the senior management of the Company.

1. Assists the Board in the oversight of the preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka Accounting Standards.

2. Ensures Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements
3. Ensures that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards
4. Assesses the Company's ability to continue as a going concern in the foreseeable future
5. Assesses the independence and performance of the Company's external auditors
6. Makes recommendations to the Board, pertaining to appointments, re-appointment and removal of External Auditors and approves the remuneration and terms of engagement of the External Auditors;
7. Discusses the audit plan, key audit issues and their resolutions, management responses and the proposed remuneration of the Auditors
8. Discusses the Company's annual audited financial statements and quarterly financial statements with the management and the Auditors.
9. Discusses the Company's earnings, press releases and financial information and earnings guidance provided to Analysts and Rating Agencies
10. Discusses policies and practices with respect to risk assessment and risk management
11. Ensures that a process of sound system of internal control is in place
12. Ensures that an effective internal audit function is in place
13. Meets separately, periodically, with Management, Internal Auditors and External Auditors
14. Establishes mechanisms for the confidential receipt, retention and treatment of complaints alleging fraud received from internal/external sources and pertaining to accounting, internal controls or other such matters
15. Assures confidentiality to whistle blowing employees and formulation of proper 'Whistle-Blowing' Policy
16. Presents reports to the Board on identified related parties and related party transactions on a regular basis
17. Sets clear hiring policies for employees or former employees of the Auditors
18. Reports regularly to the Board of Directors.

## Financial Reporting System

The Committee reviews the financial reporting system adopted by the company with particular reference to the following:

- The preparation, presentation and adequacy of the disclosures in the company's annual and interim financial statements in accordance with Sri Lanka Accounting Standards, the Companies Act, No. 7 of 2007 and other applicable statutes.
- The rationale and basis for the significant estimates and judgments underlying the financial statements.



## REPORT OF THE AUDIT COMMITTEE

### Meetings

The Committee met six (06) times during the period under review. The Chief Executive Officer and Senior Finance Manager attend the meetings by invitation. The attendance at the meetings were;

Name of Member	Audit Committee Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance
1. Mr. Senaka De Saram (Chairman) (Resigned w.e.f. 23.12.2020)	05	04	80%
2. Mr. Indraraj Ratnasabapathy (Appointed w.e.f. 27.01.2021)	01	01	100%
3. Mr. Imal Fonseka (Independent, Non-Executive Director w.e.f. 01.01.2021)	06	04	67%
4. Mrs. Dulani Thanuja de Alwis (Appointed w.e.f. 29.07.2020)	05	05	100%
5. Mr. J. Prasad Polwatte (Appointed w.e.f. 28.06.2021)	-	-	-

The Committee carried out the following activities;

### Financial Reporting

The Audit Committee reviews and discusses the Company's quarterly and annual financial statements presented to it, prior to publication with the management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters.

### Internal Audit

During the year under review, the Committee reviewed the Audit Reports presented by Messrs. PWC Chartered Accountants, to whom the Internal Audit function is outsourced together with the management responses. A risk-based audit approach was adopted with the view to rationalizing the usage of audit resources.

During the year, audit reports were received by the Committee from the Internal Auditors covering audits and investigations which were reviewed and discussed with the management and the Internal Auditors. The recommendations of the Internal Auditors presented to the Audit Committee have been followed up and implemented. Formal confirmations and assurances were received from the Management on a quarterly basis regarding the efficacy and status of the internal control systems.

The AC monitored and reviewed the scope, extent and effectiveness of the activity that included updates on audit activities and achievements against the Company's audit plan, advising management to take precautionary measures on significant audit findings and assessment of resource requirements of the Company.

During the year, the AC reviewed the internal audit plan and monitored the progress on a regular basis. The sections covered and the regularity of audits depends on the risk level of each section, with higher risk sections being audited more frequently.

### External Audit

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Company. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG, Chartered Accountants, be re-appointed as the Auditors of the Company for the financial year ending 31st March 2021, subject to the approval of the Shareholders at the Annual General Meeting.

### Conclusion

The Board appointed Audit Committee is of the view that based on the information presented to the Audit Committee, adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material mis-statements.

**Mr. J. Prasad Polwatte**

Chairman

Audit Committee

30th June 2021



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Multi Finance PLC have pleasure in presenting the Annual Report for the year ended 31st March 2021 that includes and covers the Audited Financial Statements, Chairman's Statement, CEO's Review, Governance & Risk Management Report, Committee Reports, Statements of Responsibility and other relevant information, Disclosures required by the Companies Act No.07 of 2007 which form part of this Annual Report of the Board of Directors.

## General

The Company was initially incorporated as a public limited liability company on 14th October 1974 and re-registered under the Companies Act No.07 of 2007 on 26th February 2009. The Ordinary Shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on 13th July 2011 and accordingly, the status of the Company changed to a public listed company with the new Company Registration Number PB 891 PQ.

Multi Finance PLC is a finance company registered by the Monetary Board of the Central Bank of Sri Lanka in terms of Finance Business Act No.42 of 2011 and also a registered leasing establishment under Section 5 of the Finance Leasing Act No. 56 of 2000. It is also an approved Credit Agency under the Mortgage Act No. 06 of 1949 and the Trust Receipts Ordinance No. 12 of 1947.

## Principal Business Activities

The Company's principal business activities during the year were acceptance of deposits, maintenance of savings accounts, granting facilities such as leases, hire purchase, micro-finance, gold loans, pawning, vehicle loans, mortgage loans, business loans and other value added services permitted by the Central Bank of Sri Lanka for a Finance Company.

There were no significant changes in the nature of business of the Company during the year under review that may have a significant impact on the status of the Company's affairs.

This Report and the Financial Statements reflect the status of affairs of the Company.

## Vision, Mission & Corporate Conduct

The Company's Vision and Mission are available on page 02. The Directors and all employees conduct their activities with the highest level of ethical standards and integrity in achieving the Vision and Mission.

## Review of Business Performance

Review of Business Performance and future outlook of the Company is available in the Chairman's Statement in pages 06 to 07 and in Chief Executive Officer's Review in pages 08 to 09.

## Financial Statements

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No. 07 of 2007. The aforementioned Financial Statements for the year ended 31st March 2021 duly signed by two Directors on behalf of the Board are given on pages 52 to 104 which form an integral part of this Annual Report.

## Auditor's Report

The Report of the Auditors on the Financial Statements of the Company appears on pages 49 to 51.

## Accounting Policies

The Accounting Policies which are adopted by the Company in the preparation of Financial Statements are give on pages 56 to 72. They are consistent with those of the previous period.

## The Board of Directors

As at 31st March 2021, the Board of Directors of the Company consist of six (06) members. The information of Directors of the Company is available in the Directors' Profiles in pages 10 to 11.

The names of the Directors who held/holding office are given below:

## Executive Directors

Mrs. C.J. Atapattu

Mr. P. Jayasundera

## Independent, Non- Executive Directors

Mr. Imal Fonseka

(Independent, Non-Executive Director w.e.f. 01.01.2021)

Mr. Indraraj Ratnasabapathy

(Appointed w.e.f. 22.12.2020)

Mr. Senaka De Saram

(Resigned w.e.f. 23.12.2020)

Mr. J. Prasad Polwatte

(Appointed w.e.f. 28.06.2021)

## Non-Independent, Non-Executive Directors

Ms. D.T de Alwis

Dr. K.P.B. Kulatunga

(Deceased - 16.05.2021)



## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### New Appointments and Resignations to the Board

Mr. Senaka De Saram resigned from the Board of Multi Finance PLC w.e.f 23.12.2020.

It is with deep sadness that we inform the demise of Dr. Pasad Kulatunga on 16.05.2021.

On having obtained approval from the CBSL, Mr. Indraraj Ratnasabapathy and Mr. J. Prasad Polwatte were appointed to the Board w.e.f. 22.12.2020 and 28.06.2021 respectively.

### Retirement by Rotation and Re-Election of Directors

Mrs. Dulani Thanuja de Alwis retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible offers herself for re-election with the support of the continuing Directors.

The Independence of Directors has been determined in terms of the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction no. 3 of 2008 (as amended).

### Related Party Transactions

Related party transactions have been declared at the meeting of the Directors and are detailed in Note No. 35 to the financial statements.

As required in terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange and section no. 9 of the Finance Companies (Corporate Governance) Direction no. 3 of 2008, the Board of Directors confirms that the Company has complied with the rules pertaining to the Related Party Transactions.

### Directors' Interest

As required by the Companies Act, No. 7 of 2007, an Interest Register is maintained by the Company for the period under review. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interest Register is available for inspection as required under the Companies Act.

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The Transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note No. 35 to the Financial Statements.

### Remuneration and Fees

Details of the Directors remuneration and fees are set out in Note No. 10 to the Financial Statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

### Risk and Internal Control

The Board of Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risk to which the company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

### Corporate Governance

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control.

The Directors are responsible to the Shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements. The performance of the Company is monitored by way of regular review meetings.

These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board meetings are held to further strengthen and review the process and ensure compliance with all statutory and regulatory obligations.

### Statutory Payments and Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief are satisfied that all Statutory payments due to the Government and in relation to the employees have been made on time.

### Auditors

The Company's Auditors during the period under review were Messrs. KPMG. The fees paid to auditor is noted in Note No. 10 to the Financial Statements.

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its Subsidiaries other than disclosed.



The resolution to appoint the present Auditors Messrs. KPMG Chartered Accountants, who has expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

In accordance with the Company's Act, No. 7 of 2007, an Ordinary Resolution proposing the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors of the Company will be submitted at the Annual General Meeting.

### Independent Auditor's Report

The Independent Auditor's report on the Financial Statements is given on pages 49 to 51 of the Annual Report.

### Stated Capital

The Stated Capital of the Company is Rs. 898,375,289.

### BOARD SUB COMMITTEES

The relevant subcommittee reports are given on pages 36 to 40.

### Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 are as follows.

	31.03.2020	31.03.2021
Mr. Imal Fonseka	Nil	Nil
Mr. Senaka De Saram (Resigned w.e.f. 23.12.2020)	Nil	Nil
Mr. Indraraj Ratnasabapathy (Appointed w.e.f. 22.12.2020)	Nil	Nil
Mr. P. Jayasundera	Nil	Nil
Ms. C.J. Atapattu	20,575	20,575
Mrs. Dulani Thanuja de Alwis	Nil	Nil
Dr. Pasad Kulatunga (Deceased - 16.05.2021)	Nil	Nil

### Shareholders

There were 902 shareholders registered as at 31st March 2021. The details of the distribution are given on page 105 of this report.

### Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market value per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the listing rules of the Colombo Stock Exchange are given on pages 105 to 106 under Investor Information.

### Equal Opportunities

The Company is committed to providing equal opportunities to all employees irrespective of their gender, marital status, age, religion, race or disability. It is the Company's policy to give full and fair consideration to persons, with respect to applications for employment, continues employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

### Internal Control

The Board of Director has taken steps to ensure the implementation of an effective and comprehensive system of internal controls covering financial, operational and compliance control. The Internal Auditors are responsible to review and report on the efficacy of the internal control system, other regulations and company's accounting and operational policies which are subject to further review by the Audit Committee as elaborated in the report of Audit Committee on pages 39 to 40.

### Compliance

The Company has established a permanent and effective compliance function. A dedicated Compliance Officer appointed by the Board independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with the laws and regulations as applicable to the company.

The Compliance Officer also ensures that compliance reports are submitted to the Central Bank of Sri Lanka confirming the Company's compliance with the directions, rules, determinations, notices and guidelines issued under the Finance Business Act.



## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company.

### Environmental Protection

The Company has not engaged in any activity that is harmful or hazardous to the environment.

### Material issues pertaining to employees and industrial relations of the Company

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under rule 7.6 (vii) of the Listing Rules.

### Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory dues were due and payable by the Company as at the Balance Sheet date have been paid or where relevant provided for, except for certain assessments where appears to have been lodged.

### Going Concern

The Board of Directors had reviewed the Company's Business Plans and is satisfied that the Company had adequate resources to continue its business operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company as a going concern concept.

### Annual General Meeting

The Annual General Meeting will be held on 29th September 2021 at 2.30 pm at the Boardroom of Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya via Zoom Audio / Video – (Virtual AGM).

The notice of the Annual General Meeting appears on page 108.

### Acknowledgement on the Content of the Report

As required by Section 168(1) (k) of the Companies Act No.07 of 2007. This report is signed on behalf of the Board by two Directors and the Secretary of the Company.

**Mr. Imal Fonseka**

Chairman

**Mr. Pushpike Jayasundera**

Director/ CEO

**Business Intelligence (Private) Limited**

Secretaries

30th June 2021

Colombo



# STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors, in relation to the Financial Statements of Multi Finance PLC is set out in this Statement.

In terms of Section 150(1) and 151 of the Companies Act, No. 7 of 2007, the Directors of the Company are responsible for ensuring that the Company keeps proper books of accounts of all transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and place them before a general meeting. The Directors are also responsible to ensure that the financial statements comply with all regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

It is also the responsibility of the Directors to ensure that the company maintains proper accounting records and to take reasonable steps as far as practical, to ensure the accuracy and reliability of accounting records and to prepare Financial Statements using appropriate Accounting Policies applied consistently and supported by reasonable and prudent judgment and estimates, in compliance with the Sri Lanka Accounting & Auditing Standards, the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and Finance Business Act No.42 of 2011 and the Directions issued there under, by the Central Bank of Sri Lanka.

Changes in the Accounting Policies where applicable and the rationale for the changes have been disclosed in the 'Notes to the Financial Statements.

The Directors have been responsible for taking reasonable measures and care to safeguard the assets of the company and to prevent and detect frauds and other irregularities. The Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective review performed by the Audit Committee.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2020/2021, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD  
MULTI FINANCE PLC

Company Secretary  
30th June 2021



# INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



KPMG  
(Chartered Accountants)  
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P. O. Box 186,  
Colombo 00300, Sri Lanka.

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

## Board of Directors of Multi Finance PLC

We were engaged by the Board of Directors to provide assurance on the Directors' Statement on Internal Control ("Statement") of Multi Finance PLC ("Company") included in the annual report for the year ended 31 March 2021.

## Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company on the Director's Statement on Internal Control" issued in compliance with the section 10 (2) (b) of Finance Companies (Corporate Governance) Direction No. 03 of 2008 and its amendments issued by the Central Bank of Sri Lanka.

## Our Independence and Quality Control

We have complied with the independence and ethical requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our responsibilities and compliance with SLSAE 3051

Our responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

## Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Licensed Finance Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that the practitioner plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures;

- a) Enquired the directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control.
- b) Obtained the scope of work issued by the Company's outsourced internal auditors covering the following processes in the Head Office and reviewed the documentation prepared by the internal auditors to support their findings report:
  - Collection and Recovery Process
  - Finance Operations
  - Treasury Operations
  - Regulatory and Statutory Compliance
  - Administration
  - Personnel administration
  - Legal
  - Information Technology General Controls Review

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M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		
<b>Principals</b> - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA		
Ms. P. M. K. Sumanasekara FCA		





c) Obtained the scope of work issued by the Company's outsourced internal auditors covering the following processes in the branches and reviewed the documentation prepared by the internal auditors to support their findings report.

- Lending Operations
- Micro Finance
- Deposits
- Pawning
- Receipting and Banking
- Operations
- Administration

d) Related the Statement made by the directors to our knowledge of the Company obtained during the audit of the Financial Statements.

e) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising on the above areas identified.

g) Reviewed the process established by the Directors to comply with regulatory requirements and restrictions (if any) imposed by the regulator for non-banking financial institutions.

h) Obtained written representations from directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Licensed Finance Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the process described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the License Finance Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Our conclusion

We have reviewed the process established by the Directors in relation to regulatory compliance where the Company is in the process of consolidation/merger to inject the required capital as per the minimum core capital direction No. 02 of 2017 in addition to complying with other requirements.

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

**Chartered Accountants**

Colombo, 24 August 2021

# DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

## Requirement

In line with the section 10(2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013 and Principle D.1.5 of Code of Best Practice on Corporate Governance 2017, the Board of Directors present this report on Internal Control over Financial Reporting.

## Responsibility

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Multi Finance PLC. ("Company").

## Process of Evaluation

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes 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 sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system 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.

## Key features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System over Financial Reporting

- Establishment of Board Subcommittees to assist the Board in ensuring the effectiveness of the Company's day to day operations and to ensure that all such operations are carried out in accordance with the policies and business directions that have been approved.
- Policies /Procedures are developed covering all functional areas of the Company and these are approved by the Board or Board – approved committees. Such policies and procedures are reviewed and approved periodically.

- An outsourced internal audit team assessed the suitability of design and effectiveness on selected processes on a sample basis focusing on recovery, finance operation, treasury, lending, deposits, pawning, operations, administration, information technology systems, legal, regulatory and statutory requirements within all units and branches, the frequency of which is determined by the level of risk previously assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee.
- The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Company.

## 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 systems of internal controls over Financial Reporting. Any matters addressed by the External Auditors and the outsourced Internal Auditors will be considered and appropriate steps would be taken to rectify them in the future.

By Order of the Board



**Mr. J. Prasad Polwatte**

Chairman – Board Audit Committee



**Mr. Pushpike Jayasundera**

Director / CEO

24th August 2021

# INDEPENDENT AUDITOR'S REPORT



KPMG  
(Chartered Accountants)  
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## To the Shareholders of Multi Finance PLC Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Multi Finance PLC ("the Company"), which comprise the statement of financial position as at March 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information as set out on pages 52 to 104.

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

### Basis for Opinion

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

### Material uncertainty in relation to going concern

We draw attention to Note 42 of the financial statements which indicates that the Company has not complied with the Minimum Core Capital Direction No 02 of 2017. Further the Company has incurred continuous losses over the years accumulated as at 31 March 2021 amounting to Rs. 421,228,880.

Additionally, the Central Bank of Sri Lanka has imposed restrictions on the Company's lending and deposit operations until the regulatory requirements pertaining to the minimum core capital requirements are complied with. The Company has been in discussion with the Central Bank of Sri Lanka on the above matters.

In order to apply the going concern basis of accounting the Company has to satisfy the regulatory requirements with the concurrence of the Central Bank of Sri Lanka.

Therefore, the material uncertainty impacting the Company's ability to continue as a going concern depends on addressing the conditions set out by the regulatory requirements. Our opinion is not modified in respect of this matter.

### Emphasis of Matter

We draw attention to Note 19.3 of the financial statements, which describes that the Company has paid advances to consultants amounting to Rs. 21,735,400. As there were continuous delays in achieving the objectives within the agreed timeframes, legal action has been instituted to recover the advances paid. Although the ultimate outcome of the matter is dependent on a court decision it cannot presently be determined. The management is confident in recovering these amounts. Our opinion is not modified in this regard.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Impairment allowance for leases, hire purchase receivables, advances and other loans

As described in Note 4.2.10 (Accounting policies) and Note 15.2, the Company has estimated impairment provision for leases, hire purchase receivables, advances and other loans of Rs. 177,130,218 as at 31st March 2021.

### Risk Description

A high degree of complexity and judgment is involved for the Company in estimating credit losses arising from the lending portfolios.

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M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		
<b>Principals</b> - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA		
Ms. P. M. K. Sumanasekara FCA		



## INDEPENDENT AUDITOR'S REPORT

Given the complexity of SLFRS 9 and its expected pervasive impact on the financial sector we focused on the Company's accounting for the expected impact of measuring credit losses on its lending portfolios and the significant judgment exercised by the Company. The Company's model to calculate Expected Credit Loss (ECL) are inherently complex and judgment is applied in determining the correct construct of the model. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stages, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weightings and judgments over the use of data inputs required.

In estimating individually assessed ECL for Stage 3 exposures, judgements and assumptions are applied by the Company to the timing of the expected repayments, the realisable value of collateral, the business prospects for the customers and the likely cost and duration of the process.

Impairment in relation to leases, hire purchase, advances and other loans remains one of the most significant judgements made by management particularly in light of the uncertain economic outlook in Sri Lanka as at the reporting date due to the potential impact of the COVID 19 outbreak.

We have identified the impairment of leases, hire purchases, advances and other loans as a key audit matter because of its significance to the financial statements with the application of new significant judgments and estimates which are subject to estimation uncertainty and management bias.

### Our Response:

Our audit procedures to assess impairment of loans and advances to customers included:

- Assessment of the methodology inherent within the process for provisioning for credit losses against the requirements of SLFRS 9, specially taking into consideration the economic uncertainty relating to COVID 19.
- Assessing how management had factored the impact of COVID 19 within the ECL model to determine whether it was appropriately considered in the measurement of ECLs at the reporting date.
- Challenging the key assumptions in the ECL models, including staging PD and LGD and evaluating the reasonableness of management's key judgments and estimates in the scenario-based probability weighted impairment assessment of individually significant customers.
- Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and ECL models and assessment of economic information used within, and weightings applied to forward looking scenarios.
- Recalculating ECL for a sample using the key assumptions used in the models, such as staging, PD and LGD;

- Assessing the reasonableness of the Company's treatment of COVID 19 payment relief customers (moratorium/debt concessionary) from a credit risk perspective.
- Comparing the economic factors used in the impairment models to market information to assess whether they were aligned with the market and economic development;
- Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice.
- Assessing the completeness, accuracy and adequacy of the disclosures in the financial statements in compliance with relevant accounting standard requirements.

### 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 this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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



## Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company. However, the Company does not fulfill the requirements of the Minimum Core Capital Direction No 02 of 2017 as at 31 March 2021 issued by the Central Bank of Sri Lanka.

The engagement partner on the audit resulting in this independent auditor's report's Membership number is 1798.

**Chartered Accountants**  
Colombo, Sri Lanka  
30 June 2021



# STATEMENT OF FINANCIAL POSITION

As At 31st March	Notes	2021 Rs.	2020 Rs.
<b>ASSETS</b>			
Cash and cash equivalents	13.1	23,195,923	6,356,430
Placements with Banks and other financial institutions	14	119,229,696	112,533,036
Rental receivable on Lease	16	155,459,039	230,499,827
Rental receivable on Hire Purchase	17	151,434	178,016
Advances and Other Loans	18	400,621,794	631,057,886
Other receivables	19	53,372,287	59,299,181
Repossessioned Stock	20	4,090,270	5,780,000
Income tax receivables		5,227,631	5,227,629
Financial Assets Measured at Fair Value Through Other Comprehensive Income	21	535,489	2,084,089
Investment Property	22	68,333,000	66,785,500
Property, plant & equipment	23	11,999,774	21,544,464
Right of use Assets	24	27,402,094	32,326,744
Intangible assets	25	524,860	1,501,783
Deferred Tax Asset	30	-	19,547,631
<b>TOTAL ASSETS</b>		<b>870,143,291</b>	<b>1,194,722,216</b>
<b>LIABILITIES</b>			
Due to banks and financial institutions	13.2	3,128,745	17,367,053
Deposits due to customers	26	294,272,187	510,706,106
Other payables	27	41,641,352	49,697,199
Lease Liability	28	28,746,608	33,065,188
Retirement benefit obligation	29	8,502,410	6,736,055
<b>TOTAL LIABILITIES</b>		<b>376,291,302</b>	<b>617,571,601</b>
<b>EQUITY</b>			
Stated capital	31	898,375,289	898,375,289
Statutory Reserve Fund	32.1	5,389,222	5,389,222
General Reserve	32.2	11,266,050	11,266,050
Fair Value Reserve	32.3	50,308	247,199
Retained Earnings / (Accumulated Losses)		(421,228,880)	(338,127,145)
<b>TOTAL EQUITY</b>		<b>493,851,989</b>	<b>577,150,615</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>870,143,291</b>	<b>1,194,722,216</b>
Net Assets Per Share (Rs.)		7.76	9.07

Figures in brackets indicate deductions.

The accounting policies and notes from pages 56 to 104 form an integral part of these financial statements.

It is certified that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

**A. M. Galbadaarachchi**

Chief Financial Officer

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

Signed for and on behalf of the Board of Directors of Multi Finance PLC.

**P. Jayasundera**

Director / Chief Executive Officer

**Imal Fonseka**

Chairman

30th June 2021

Colombo



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>For the year ended 31st March</i>	Notes	2021 Rs.	2020 Rs.
<b>Income</b>	5	134,104,126	218,656,172
Interest income	6	110,906,664	194,714,866
Interest expenses	7	(42,830,661)	(82,822,173)
<b>Net interest income</b>		68,076,003	111,892,693
Fee and commission income	8	8,073,195	13,076,871
Other income	9	15,124,267	10,864,435
<b>Net income from operations</b>		91,273,465	135,833,999
<b>Operating expenses</b>			
Personnel cost		(81,745,361)	(103,649,440)
Depreciation of Property Plant & Equipment and Amortization of Intangible Assets		(10,552,970)	(12,367,628)
Amortization of Leased Assets		(15,185,156)	(15,112,448)
Other operating expenses		(39,908,957)	(81,432,468)
<b>Total operating expenses</b>		(147,392,444)	(212,561,984)
<b>Loss before impairment and taxation</b>		(56,118,979)	(76,727,985)
Impairment charge for loans and other losses	15	(3,872,222)	(26,694,551)
<b>Loss before taxation and VAT on Financial Services</b>	10	(59,991,201)	(103,422,536)
Tax on Financial Services	10.1	(2,902,110)	(568,717)
<b>Loss before taxation</b>		(62,893,311)	(103,991,253)
Income Tax Expense	11	(19,706,223)	(37,744,537)
<b>Loss for the period</b>		(82,599,534)	(141,735,790)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of retirement benefit obligation	29.2	(660,791)	536,574
Tax on actuarial gain		158,590	(150,241)
		(502,201)	386,333
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Reclassification of Fair Value Through Other comprehensive income to Profit or Loss		(207,437)	-
Net change/(Loss) in fair value of financial assets measured at Fair Value Through Other Comprehensive Income		10,546	15,147
		(196,891)	15,147
<b>Other comprehensive income for the period, net of tax</b>		(699,092)	401,480
<b>Total comprehensive income / (expense) for the period</b>		(83,298,626)	(141,334,310)
Loss per share (Rs.) (Annualized)	12	(1.30)	(2.23)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 56 to 104 form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

	Notes	Stated Capital Rs.	Statutory Reserve Fund Rs.	General Reserve Rs.	Fair Value Reserve Rs.	Retained Earnings/ (Accumulated Losses) Rs.	Total Rs.
<b>Balance as at 01st April 2019</b>		898,375,289	5,389,222	11,266,050	232,052	(196,777,688)	718,484,925
Loss for the Period		-	-	-	-	(141,735,790)	(141,735,790)
<b>Other comprehensive income net of tax for the year</b>							
Net actuarial Gains/(Losses) on defined benefit liability		-	-	-	-	386,333	386,333
Net change in fair value of financial assets measured at Fair Value Through Other Comprehensive Income	32.3	-	-	-	15,147	-	15,147
<b>Balance as at 31st March 2020</b>		898,375,289	5,389,222	11,266,050	247,199	(338,127,145)	577,150,615
<b>Balance as at 01st April 2020</b>		898,375,289	5,389,222	11,266,050	247,199	(338,127,145)	577,150,615
Loss for the Period		-	-	-	-	(82,599,534)	(82,599,534)
<b>Other comprehensive income net of tax for the year</b>							
Net actuarial Gains/(Losses) on defined benefit liability	-	-	-	-	-	(502,201)	(502,201)
Net change in fair value of financial assets measured at Fair Value Through Other Comprehensive Income	32.3	-	-	-	10,546	-	10,546
Reclassification of Fair Value Through Other Comprehensive Income to Profit or Loss	32.3	-	-	-	(207,437)	-	(207,437)
<b>Balance as at 31st March 2021</b>		898,375,289	5,389,222	11,266,050	50,308	(421,228,880)	493,851,989

Figures in brackets indicate deductions.

The accounting policies and notes from pages 56 to 104 form an integral part of these financial statements.





# STATEMENT OF CASH FLOWS

<i>For the year ended 31st March</i>	<b>Notes</b>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Loss Before Taxation		(62,893,311)	(103,991,253)
<b>Adjustments for :</b>			
Provision for Retirement Benefit Plans	29.1	1,870,864	2,514,899
Depreciation on Property, Plant and Equipment	23	9,576,047	11,263,013
Amortization of Leased Assets	24.2	15,185,156	15,112,448
Amortisation of Intangible Assets	25	976,923	1,104,615
(Profit)/Loss on Disposal of Property, Plant & Equipment	9	27,878	1,323,860
Impairment charge/(reversal) for loan and other advances	15	3,872,222	26,694,551
(Profit)/Loss on pawning auction	9	(22,299)	(23,502)
(Profit)/Loss on disposal of Repossessed Stock		2,659,728	20,043,578
Dividend Income	9	(80,000)	(60,200)
Interest expense on Lease Liability	28	3,149,911	4,318,366
Interest Accrued on Fixed Deposit Investments	6	(2,980,282)	(4,266,561)
Interest Accrued on Reverse Repurchase Agreements	6	(3,223,795)	(3,514,871)
Gain/(Losses) from fair value changes of Investment Properties	9	(1,547,500)	3,494,716
Gain/(Loss) on modification of Right of Use Assets		(774,099)	-
Net gain/(Loss) from derecognition of financial assets measured at FVTOCI		(207,438)	-
<b>Operating Profit before Working Capital Changes</b>		<b>(34,409,995)</b>	<b>(25,986,341)</b>
<b>Changes in working capital :</b>			
(Increase)/Decrease in Investment in Hire purchase, Lease and Other Loans		296,366,810	204,192,205
(Increase)/Decrease in Other Receivables		5,936,888	4,974,265
(Increase)/Decrease in Repossessed Stock		1,689,730	9,663,999
Increase/ (Decrease) in Deposits from Customers		(216,433,919)	(149,919,780)
Increase / (Decrease) in Amounts Due to Related Party		324,860	818,663
Increase/ (Decrease) in Other Payables		(8,380,707)	(3,179,621)
<b>Cash generated from / (Used in) Operating Activities</b>		<b>45,093,667</b>	<b>40,563,390</b>
Income Tax Paid		-	(234,702)
Gratuity Paid	29	(765,300)	(134,250)
<b>Net cash generated from / (used in) Operating Activities</b>		<b>44,328,367</b>	<b>40,194,438</b>
<b>Cash flows from / (Used in) Investing Activities</b>			
Purchase of Property, Plant and Equipment	23	(59,238)	(2,478,021)
Proceeds from sale of Property, Plant & Equipment		-	174,498
Disposal of Investment Properties		-	3,000,000
Net Investment in Reverse Repurchase Agreements		-	(55,000,000)
Net Investment in Fixed Deposits		(5,000,000)	10,987,288
Cash Received from Pawning Auction		2,627,000	5,233,600
Dividend income Receipt	9	80,000	60,200
Interest Received on Fixed Deposit Investments		3,290,825	3,952,090
Interest Received on Reverse Repurchase Agreements		2,765,744	2,601,478
<b>Net cash generated from / (used in) Investing Activities</b>		<b>3,704,331</b>	<b>(31,468,867)</b>
<b>Cash flow from / (Used in) Financing Activities</b>			
New share issue during the year		-	-
Payment of Lease liabilities	28	(16,954,897)	(13,169,970)
<b>Net cash generated from / (used in) Financing Activities</b>		<b>(16,954,897)</b>	<b>(13,169,970)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		31,077,801	(4,444,399)
Cash & Cash Equivalents at the Beginning of the period		(11,010,623)	(6,566,224)
<b>Cash &amp; Cash Equivalents at the end of the period</b>	13.1	<b>20,067,178</b>	<b>(11,010,623)</b>
<b>Analysis of Cash &amp; Cash Equivalents</b>			
<b>Favourable balance</b>			
Cash at Bank		15,873,623	3,310,842
Cash in Hand		7,322,300	3,045,588
		23,195,923	6,356,430
<b>Unfavourable balance</b>			
Bank overdrafts		(3,128,745)	(17,367,053)
		(3,128,745)	(17,367,053)
		20,067,178	(11,010,623)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 56 to 104 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting Entity

Multi Finance PLC is a company incorporated and domiciled in Sri Lanka and listed on the Diri Savi Board of the Colombo Stock Exchange. The Company is regulated under the Finance Business Act No. 42 of 2011.

The principal lines of business of the Company are granting finance leases, hire purchase, trade loans, mortgage loans, pledge loans, business loans, pawning and acceptance of public deposits in the form of term deposits and savings deposits.

Fairway Holdings Private Limited is the parent company of Multi Finance PLC, which is incorporated and domiciled in Sri Lanka.

The Staff strength of the Company as at 31 March 2021 was 65 (as at 31 March 2020 was 84)

## 2. Basis of Preparation

### 2.1 Statement of compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash flows and Notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 7 of 2007 and Finance Business Act No.42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The financial statements for the year ended 31st March 2021 were authorized for issue by the Board of Directors in accordance with the resolution passed on 30 June 2021.

### 2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No 07 of 2007.

The Board of Directors acknowledges this responsibility and such responsibilities include the following components:

- Information on the financial performance of the Company for the year under review.
- Information on the financial position of the Company as at the year end.
- Information on all changes in shareholders' equity during the year under review of the Company.
- Information to the users on the movement of the cash and cash equivalents of the Company.
- Notes to the financial statements including the accounting policies and other explanatory notes.

### 2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently, with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following;

- Financial assets measured at fair value through other comprehensive income are measured at fair value.
- Defined Benefit Obligation is recognized as the present value of the defined benefit obligation.
- Investment properties are measured at fair value.

### 2.4 Functional and Presentation Currency

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

### 2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 40.

### 2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 - "Presentation of Financial Statements".

### 2.7 Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis. The impact of COVID 19 on the entity's going concern is disclosed in Note 39.

### 2.8 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 - "Presentation of Financial Statements".



## 2.9 Comparative Information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## 2.10 Use of Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the relevant notes as follows.

- Note 4.2.3: Classification of financial assets - assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI (solely payments of principal and interest) in the principal amount outstanding.
- Note 4.2.9: Determination of fair value – use of significant unobservable inputs
- Note 4.2.10: Impairment of financial assets – key assumptions used in estimating recoverable cash flows.
- Note 4.2.17-18: Establishing the criteria for determining whether the credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval for models used to measure ECL.
- Note 4.4.2: Useful lives of property, plant and equipment – review of the residual values, useful lives and methods of depreciation at each reporting date.
- Note 4.11: Measurement of defined benefit obligations – key actuarial assumptions
- Note 4.18(ii): Recognition of deferred tax assets - availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized.
- Note 4.10: Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

### 2.10.1 Impact of COVID 19

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). 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.

The Company has developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement.

The impact of the COVID-19 pandemic is discussed further below and/or in the relevant notes to these Financial Statements.

## 3. Change in significant accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has early adopted COVID-19-Related Rent Concessions – Amendment to SLFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The amendment has no impact on retained earnings at 1 April 2020.



## NOTES TO THE FINANCIAL STATEMENTS

### 4. Summary of Significant Accounting Policies

#### 4.1 Foreign Currency - Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Forward foreign exchange contracts and currency swaps are valued at the forward market rate ruling on the date of the Statement of Financial Position.

#### 4.2 Financial Instruments

##### 4.2.1 Recognition and Initial Measurement

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial instruments (including regular purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

For financial assets and liabilities held at fair value through profit and loss any changes in fair value from the trade date to settlement date is accounted in the statement of profit or loss while for financial assets measured at fair value through other comprehensive income any changes in fair value from the trade date to settlement date is accounted in the statement of other comprehensive income.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally at its transaction price.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Statement of Profit or Loss.

When the fair value of financial instruments (except trade receivables that do not have significant financing component) at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

##### 4.2.2 "Day 1" Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value as a 'Day 1' profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

##### 4.2.3 Classification and Subsequent Measurement

###### a) Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated 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.

The Company's financial assets classified and measured at amortised cost include cash and cash equivalents, placement with banks and other financial institutions, rentals receivable on leases, advances and other loans.

A debt instrument is measured at FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; 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.



On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The company's financial assets classified and measured at fair value through other comprehensive income include investment in government securities and non-quoted shares.

#### Financial assets - Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes,

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; 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.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered as sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### Financial Assets - Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. "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 (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



## NOTES TO THE FINANCIAL STATEMENTS

### Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### 4.2.4 Financial Liabilities - Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost include “Deposits Due to Customers”, “Due to Banks and Financial Institutions”, “Lease Liability” and “Other Payables”.

### 4.2.5 Derecognition of Financial Assets and Financial Liabilities

#### 4.2.5.1 Financial Assets

The Company 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 of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the 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 (or the carrying amount allocated to the portion of the asset derecognised) and the sum of

- (i) the consideration received (including any new asset obtained less any new liability assumed) and
- (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.





#### 4.2.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under liability is discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cashflows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### 4.2.6 Modification of financial assets and financial liabilities

##### 4.2.6.1 Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification are adjusted to the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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 calculated using the effective interest rate method.

##### 4.2.6.2 Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. 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 derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### 4.2.7 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 Company of similar transactions such as in the Company's trading activity.

#### 4.2.8 Amortised Cost Measurement

An 'Amortised Cost' of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.



## NOTES TO THE FINANCIAL STATEMENTS

### 4.2.9 Determination of Fair Value

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

#### Level 1

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

#### Level 2

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market

expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

#### Level 3

##### Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values.





Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

#### 4.2.10 Identification, Measurement and Assessment of Impairment of Financial Assets

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

#### 4.2.11 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

#### 4.2.12 Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

#### 4.2.13 Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.



## NOTES TO THE FINANCIAL STATEMENTS

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, the retail loans that are overdue for 90 days or more and business loans that are overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

### 4.2.14 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

### 4.2.15 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the

borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 4.2.16 Movement between the stages

Financial assets can be transferred between the different categories (purchased or originated financial assets that are credit impaired on initial recognition) 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. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

### 4.2.17 Grouping financial assets measured on collective basis

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

The following table summarises the key judgments and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly the Company's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.



Judgment/Assumption	Description	Changes and considerations for the year ended 31 March 2021
Determining when a significant increase in credit risk (SICR) has occurred	<p>In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'stage 1' to 'stage 2'.</p> <p>This is a key area of judgement since transition from stage 1 to stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from stage 2 to stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance.</p>	<p>Various initiatives, such as payment holidays and deferrals have been offered to customers recognising the potential detrimental impact of COVID-19. Such offers, if accepted, are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade customer facilities.</p> <p>A staging analysis has been performed on customers who have applied for a debt moratorium due to COVID-19, and a stage transfer has been performed for risk elevated customers identified during the analysis.</p>
Forward looking information	The Company derives forward looking economic scenarios which reflects Multi Finance's view of the most likely future macro-economic conditions.	The macro economic variables and the related forecasts have been updated to reflect the rapidly evolving situation with respect to COVID-19.
Probability weighting of each scenario (base case, best case and worst-case scenarios) for individually significant customers	Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case scenario.	<p>The key consideration for probability weightings in the current period is the continuing impact of COVID-19.</p> <p>Greater weighting has been applied to the downside scenario given the Company's assessment of downside risks.</p>
Determining the Loss Given Default (LGD)	In the measurement of ECL, Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.	Management overlays have been built to the Loss Given Default (LGD) computation, to better reflect the rapidly evolving economic situation due to COVID-19.
Determining the Probability of Default (PD)	The Probability of Default (PD) represents the likelihood of the borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.	Management overlays have been built to the Probability of Default (PD) calculation, to better reflect the adverse economic situation caused by COVID-19.

#### 4.2.18 Incorporating Forward Looking Information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (best Case and worst case) of other possible forecast scenarios.



## NOTES TO THE FINANCIAL STATEMENTS

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

### 4.2.19 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/ guarantees, real estate, receivables, inventories, movable and immovable properties, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Company's annual reporting schedule.

Non-financial collateral such as immovable properties are valued by an external, independent valuer, who shall not be a related party, to avoid any conflict of interest that may arise from such engagement, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Company has a board approved policy on Valuation of Movable and Immovable Properties which is in line with the regulatory requirement of Finance Business Act Directions No.04 of 2018, Valuation of Immovable Properties.

### 4.3 Repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the Statement of Financial Position; the counterparty liability is included under borrowings.

### 4.4 Non-Financial Assets

#### 4.4.1 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services or for administrative purposes.

##### (a) Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

The Company's intangible assets include the value of computer software.

##### (i) Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortization and any accumulated impairment losses.

##### (b) Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

##### (c) Amortization

Intangible assets, are amortized on a straight line basis in the Statement of Profit or Loss and Other Comprehensive Income from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is 3 years. Expenditure on an intangible item that was initially recognized as an expense by the Company in previous Annual Financial Statements are not recognized as part of the cost of an intangible asset at a later date. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

##### (d) Retirement and Disposal

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

### 4.4.2 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

##### (a) Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.



#### (b) Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset, capitalized borrowing costs and cost incurred subsequently to add to, replace part of, or service it. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

#### (c) Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

#### (d) De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in Statement of Profit or Loss when the item is derecognized.

#### (e) Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

The estimated depreciation rates for the current and comparative years of significant items of property, plant and equipment are as follows:

Motor vehicles	20%
Computer Hardware	25%
Office equipment	25%
Furniture and fittings	25%

#### 4.4.3 Investment Properties

Investment property is properly held either to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subsequently measured at fair value on annual basis with any change therein recognized in the Statement of profit or loss.

Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between two market participants at the measurement date.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the Statement of profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such as that it is reclassified as property, plant, equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. When the use of a property changes from owner-occupied to investment property, the property is re measured to fair value and reclassified as investment property. Any gain arising on re measurement is recognized in the Statement of profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized immediately in the Statement of Profit or Loss.

The investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal should be calculated as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognized as income or expense in the Statement of Profit or Loss.

#### 4.4.4 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



## NOTES TO THE FINANCIAL STATEMENTS

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.5 Leases

#### 4.5.1 As a Lessee

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises 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 at 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 on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of Property, Plant and Equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease

or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 a rate and if the Company 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.

The Company presents right-of-use assets in 'Right of use assets' and lease liabilities in 'Lease Liability' in the statement of financial position.

The Company has applied COVID-19-Related Rent Concessions – Amendment to SLFRS 16. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

The Company negotiated rent concessions with its landlords for some of its leases as a result of the severe impact of the COVID-19 pandemic during the year. The Company applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to the relevant leases.

The amount recognised in the Statement of Profit or Loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Company has applied the practical expedient for COVID-19-related rent concessions is Rs. 774,100 (2020: nil)



#### Short-term leases and leases of low-value assets

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

#### 4.5.2 As a Lessor

When the Company 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 Company makes an overall assessment of whether the lease transfers substantially all of 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, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company 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 Company 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 Company applies SLFRS 15 to allocate the consideration in the contract.

#### Finance Leases – as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and present them as a “Rental receivable on Leases” at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company’s net investment in lease is included in notes to financial statements. The finance income receivable is recognised in “interest income” over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

#### 4.6 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company’s shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

#### 4.7 Deposits due to Customers

These include term deposits, promissory notes & commercial papers. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profit or loss. Interest paid / payable on these deposits recognised in profit or loss.

#### 4.8 Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Company for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Company designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in the Statement of Profit or Loss.

#### 4.9 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the reporting date.

#### 4.10 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in ‘Interest Expense’ in the Statement of Profit or Loss.

#### 4.11 Employee Retirement Benefits

##### (a) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit method as recommended by LKAS 19 “Employee Benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield on government bonds at the reporting date and have maturity dates approximating to the terms of the related liability.





## NOTES TO THE FINANCIAL STATEMENTS

The Company recognises actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan in statement of other comprehensive income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 29. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 "Employee Benefits". However, under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The gratuity liability is not externally funded.

### (b) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

### (i) Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employee Provident Fund.

### (ii) Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

## 4.12 Interest Income and Expense

### Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument,

but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

### 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 method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 April 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

### Presentation

Interest income calculated using the effective interest method presented in the Statement of Profit or Loss and OCI includes—

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the Statement of Profit or Loss and OCI includes:

- financial liabilities measured at amortised cost; and

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.





#### 4.13 Dividend Income

Dividend income is recognized in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis when the Company's right to receive the dividend is established.

#### 4.14 Fee and Commission Income

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognized as the related services are performed.

#### 4.15 Profit/(Loss) from Sale of Lease Assets

Profit / loss from sale of Lease Assets is recognized in the period in which the sale occurs and is classified as other income /expense.

#### 4.16 Expense Recognition

All the expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the income in arriving at the profit or loss for the year.

#### 4.17 Fee and Commission Expenses

Fee and commission expenses are recognized on an accrual basis.

#### 4.18 Income Tax Expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

##### (i) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments.

##### (ii) Deferred Tax

Deferred tax is recognized 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 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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.

##### (iii) Value Added Tax on Financial Services

The base for the computation of Value Added Tax on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

#### 4.19 Statement of Cash Flows

The Cash Flow Statement has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards (LKAS) 7 "Cash Flow Statements". 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 and balance in banks.

#### 4.20 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment. The Company has four reportable segments, as described in the Note 41.



## NOTES TO THE FINANCIAL STATEMENTS

### 4.21 Commitment and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments are also included with appropriate disclosures.

### 4.22 Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for the financial periods beginning on or after 1 April 2021 and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's Financial Statements.

- 1) Onerous contracts - Cost of fulfilling a contract  
(Amendments to LKAS 37) – The amendments apply for annual reporting periods beginning on or after 01 January 2022.
- 2) Property, plant and equipment: Proceeds before Intended Use (Amendments to LKAS 16) – The amendment applies to annual reporting periods beginning on or after 01 January 2022.
- 3) Classification of liabilities as current or non-current  
(Amendments to LKAS 1) – The amendment applies to annual reporting periods beginning on or after 01 January 2023.
- 4) Annual improvements to SLFRS Standards 2018 – 2020.  
The amendments are effective for annual reporting periods beginning on or after 01 January 2022.



## 5. INCOME

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Interest Income (Note 6)	110,906,664	194,714,866
Fee and commission Income (Note 8)	8,073,195	13,076,871
Other Income (Note 9)	15,124,267	10,864,435
	<b>134,104,126</b>	<b>218,656,172</b>

## 6. INTEREST INCOME

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Lease Finance	29,217,801	55,930,569
Hire Purchase	-	246,870
Loans	27,476,114	60,305,325
Fixed Deposit Loans	2,762,480	6,039,179
Pawning	44,476,014	62,966,263
Reverse Repurchase Agreements	3,223,795	3,514,871
Placements with Banks and other financial institutions	2,980,282	4,266,561
Money market/ Savings interest	770,178	1,445,228
	<b>110,906,664</b>	<b>194,714,866</b>

### 6.1 Notional Credit for Withholding Tax on Government Securities on Secondary Market Transactions

Section 137 of the Inland Revenue Act No. 10 of 2006 (Applicable up to 31 March 2018) provides that a Company which derives interest income from the secondary market transactions in Government securities on which the income tax has been deducted at the rate of 10% at the time of issue of such security, is entitled to a notional tax credit (being one ninth of the net interest income), provided such interest income forms part of the statutory income of the Company for that year of assessment. However, as per the provision of the Inland Revenue Act No. 24 of 2017 effective from April 1, 2018, interest income from Government Securities are excluded from withholding tax. Hence, notional tax credit hitherto claimed by the company was discontinued from April 1, 2018 with implementation of Inland Revenue Act No. 24 of 2017.

Accordingly, net interest income earned for the year by the company from secondary market transactions in Government securities purchased up to 31/03/2018 has been grossed up in the financial statements and resulting notional tax credit amounted to Rs. 9,995 ( 2020 : Rs. 28,941 ). However any notional tax credit balance available should be set off against future taxable income within three years from the enactment date of the Act, after recovering tax loss brought forward. Accordingly the company wrote-off the total tax credit balance as at the year end, since the future profit forecast may not be adequate to recover the available notional tax credit balances.

## 7. INTEREST EXPENSES

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Fixed Deposits	38,911,503	76,910,379
Savings Deposits	460,217	549,825
Interest expense on Lease Liability	3,149,911	4,318,366
OD interest	309,030	1,043,603
	<b>42,830,661</b>	<b>82,822,173</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 8. FEE AND COMMISSION INCOME

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Default Charges	7,338,116	11,038,928
Service / Documentation Charges	33,800	204,200
Transfer fee	262,602	282,726
Other Charges	438,677	1,551,017
	<b>8,073,195</b>	<b>13,076,871</b>

### 9. OTHER INCOME

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Insurance Commission	424,640	926,212
Profit/(Loss) on disposal of Fixed Assets	(27,878)	(1,323,860)
Profit on Pawning Auction	22,299	23,502
Termination Income on Lease, Hire Purchase & Loans	8,345,698	7,355,927
Recovery of bad debts	3,485,367	7,238,129
Dividend Income	80,000	60,200
Realised gain/(Losses) from derecognition of financial assets measured at Fair Value Through OCI	207,438	-
Gain/(Losses) from fair value changes of Investment Properties	1,547,500	(3,494,716)
Negative lease payments due rent concessions	774,099	-
Sundry Income	265,104	79,041
	<b>15,124,267</b>	<b>10,864,435</b>

### 10. PROFIT/(LOSS) BEFORE TAXATION AND VALUE ADDED TAX ON FINANCIAL SERVICES (VAT ON FS) is stated after charging all the expenses including the following:

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Auditor's Remuneration	1,187,905	1,270,000
Depreciation of Property, Plant and Equipment (Note 23)	9,576,051	11,263,013
Amortization of Intangible Assets (Note 25)	976,921	1,104,614
Personnel Costs include,		
Directors' Emoluments	9,385,425	11,556,800
Salaries and wages	44,701,823	58,051,185
Defined Contribution Plan - EPF	6,353,402	8,142,273
- ETF	1,588,351	2,035,568
Other Staff related Cost	17,845,496	21,348,715
Defined Benefit Plan - Retirement obligation	1,870,864	2,514,899

#### 10. 1 TAX ON FINANCIAL SERVICES

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
VAT on financial services	2,902,110	512,349
NBT on financial services	-	56,368
	<b>2,902,110</b>	<b>568,717</b>



## 11. INCOME TAX EXPENSES

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Current tax expense</b>		
<b>TAXATION</b>		
Current Income Tax Expense on Profits for the Year (Note 11.1)	-	-
(Over) / under provision in respect of previous year	-	-
	-	-
Deferred Tax Charge / (Reversal) for the Year (Note 30)	<b>19,706,223</b>	37,744,537
<b>Total charge/(reversal) to Profit or Loss</b>	<b>19,706,223</b>	37,744,537
Deferred Tax Charge / (Reversal) recognized in (OCI) (Note 30)	<b>(158,590)</b>	150,241
<b>Total charge/(reversal) in OCI</b>	<b>(158,590)</b>	150,241

### 11.1 Reconciliation between Accounting Loss and Taxable Loss

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Accounting Profit/(Loss) before Income Tax expenses	<b>(62,893,311)</b>	(103,991,253)
Income from other sources and exempt income	<b>(2,068,987)</b>	1,263,660
Aggregate Disallowed Items	<b>62,606,606</b>	131,840,646
Aggregate Allowable Expenses	<b>(51,034,427)</b>	(128,359,041)
Assessable Charge or (Balancing Allowance) on depreciable assets	<b>(44,450)</b>	(1,864,781)
Taxable Profit / (Loss) - Leased assets	<b>11,296,193</b>	8,167,067
Taxable Profit / (Loss)	<b>(42,138,377)</b>	(92,943,702)
Tax loss claimed during the year	-	-
Assessable Income/ Taxable Profit / (Loss)	<b>(42,138,377)</b>	(92,943,702)
Income tax @ 24% (Year 2020, 28%)	-	-

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.07 of 2017 and subsequent amendments thereto. Accordingly, income tax on the profit of the company has been computed at the rate of 24% (Year 2020, 28%) on the taxable income.

As instructed by the Ministry of Finance on January 31, 2020, changes to the current tax rate was proposed as below, pending formal amendments being made to the Act and to be implemented with effect from January 01, 2020. The Bill to amend the Inland Revenue Act No. 24 of 2017 was gazetted and issued on 18 March 2021. The Bill was presented at the Parliament for first reading and approved on 26th March 2021. Accordingly, the new tax rates disclosed above have been considered to be substantially enacted as at reporting date for the computation of Current and Deferred tax computation for the year ended 31st March 2021.

Dividend income of the Company is liable for tax at 14% from 01.01.2020 to 31.03.2021.



## NOTES TO THE FINANCIAL STATEMENTS

### 11.2 Reconciliation of Tax Loss from Other Business

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Tax loss B/F	252,167,925	162,402,682
Adjustment to Tax loss brought forward	23,875,297	(3,178,459)
Tax loss for the year	42,138,377	92,943,702
Tax loss utilized during the year	-	-
Tax loss C/F	318,181,599	252,167,925

### 12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) after tax attributable to equity shareholders and the weighted average number of ordinary shares outstanding during the year.

<i>For the year ended 31st March</i>	<b>2021</b>	<b>2020</b>
Loss attributable to ordinary share holders (Rs.)	(82,599,534)	(141,735,790)
Weighted average number of ordinary shares outstanding during the year	63,610,181	63,610,181
Earnings/(Loss) per share (Rs.)	(1.30)	(2.23)

#### 12.1 DILUTED EARNING PER SHARE

There were no potentially dilutive ordinary shares as at 31.03.2021 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of earning per share.

### 13. CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF STATEMENT OF CASH FLOWS

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>13.1 Cash and cash equivalents</b>		
Cash at Bank	15,873,623	3,310,842
Cash in Hand	7,322,300	3,045,588
	23,195,923	6,356,430

#### 13.2 Due to banks and financial institutions

Bank Overdrafts	(3,128,745)	(17,367,053)
	(3,128,745)	(17,367,053)
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	20,067,178	(11,010,623)

### 14. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Investment in Reverse Repurchase Agreements	63,926,335	61,919,132
Investment in Fixed Deposits	55,303,361	50,613,904
	119,229,696	112,533,036

Investments in Reverse Repurchase Agreements have interest rates from 4.65% to 4.70% and mature within 06 months.

Investments in Fixed Deposits have interest rates from 3.50% to 5.51% and mature within 03 to 06 months.

Credit ratings of the financial institutions in which the deposits have been invested are AA-(Ika) from Fitch Ratings Lanka Ltd and (SL) A (Stable outlook) from ICRA Lanka.



## 15. IMPAIRMENT CHARGE/(REVERSAL) FOR LOANS OTHER LOSSES

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Impairment charge/(reversal) for loan and other advances (15.1)	5,390,160	31,415,115
Impairment charge/(reversal) for Other receivable	7,700	1,074,061
Impairment charge/(reversal) for Repossessed Stock	(1,525,638)	(5,917,090)
Other receivable balances write off (Note 19.3)	-	122,465
	<b>3,872,222</b>	<b>26,694,551</b>

**15.1** The table below shows the expected credit loss (ECL) charges on financial instruments for the year charged/(Reversed) to the income statement.

### Impairment charge/(reversal) for lease, hire purchase & advances and other loans for 2020/2021

	<b>Stage 1 Collective Rs.</b>	<b>Stage 2 Collective Rs.</b>	<b>Stage 3</b>		<b>Total Rs.</b>
			<b>Collective Rs.</b>	<b>Individual Rs.</b>	
Lease	(5,721,919)	3,295,030	(1,811,737)	(12,927,332)	(17,165,958)
Hire Purchase	-	-	26,582	-	26,582
Advances and Other Loans	(120,684)	(696,981)	19,391,061	3,956,140	22,529,536
<b>Charge For The Year</b>	<b>(5,842,603)</b>	<b>2,598,049</b>	<b>17,605,906</b>	<b>(8,971,192)</b>	<b>5,390,160</b>

### 15.2 Allowance for expected credit losses as at 31.03.2021

	<b>Stage 1 Collective Rs.</b>	<b>Stage 2 Collective Rs.</b>	<b>Stage 3</b>		<b>Total Rs.</b>
			<b>Collective Rs.</b>	<b>Individual Rs.</b>	
Lease	1,172,033	11,780,227	5,021,655	20,873,283	38,847,198
Hire Purchase	-	-	207,503	-	207,503
Advances and Other Loans	376,035	500,884	54,937,020	82,261,578	138,075,517
<b>As At 31.03.2021</b>	<b>1,548,068</b>	<b>12,281,111</b>	<b>60,166,178</b>	<b>103,134,861</b>	<b>177,130,218</b>

### 15.3 Allowance for expected credit losses as at 31.03.2020

	<b>Stage 1 Collective Rs.</b>	<b>Stage 2 Collective Rs.</b>	<b>Stage 3</b>		<b>Total Rs.</b>
			<b>Collective Rs.</b>	<b>Individual Rs.</b>	
Lease	6,893,952	8,485,197	6,833,392	33,800,615	56,013,156
Hire Purchase	-	-	180,921	-	180,921
Advances and Other Loans	496,718	1,197,866	35,545,959	78,305,438	115,545,981
<b>As At 31.03.2020</b>	<b>7,390,670</b>	<b>9,683,063</b>	<b>42,560,272</b>	<b>112,106,053</b>	<b>171,740,058</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 16. RENTALS RECEIVABLE ON LEASED ASSETS

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Receivable from over five years</b>		
Rentals Receivable	-	940,331
Unearned Income	-	(47,782)
Rentals Received in Advance	-	-
	-	892,549
<b>Receivable from one to five years</b>		
Rentals Receivable	130,938,103	209,263,921
Unearned Income	(21,317,111)	(39,743,690)
Rentals Received in Advance	-	-
	109,620,992	169,520,231
<b>Receivable within one year</b>		
Rentals Receivable	115,187,369	157,791,796
Unearned Income	(28,516,405)	(41,400,492)
Rentals Received in Advance	(1,985,719)	(291,100)
	84,685,245	116,100,204
<b>Total</b>		
Total Rentals Receivable	246,125,472	367,996,048
Unearned Income	(49,833,516)	(81,191,965)
Rentals Received in Advance	(1,985,719)	(291,100)
Provision for impairment of finance leases (Note 16.1)	(38,847,198)	(56,013,156)
	155,459,039	230,499,827

#### 16.1 Movement in Impairment Charge for Rentals Receivable on Leased Assets

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Balance as at 01 April</b>	56,013,156	22,889,472
Provision/(Reversal) during the year	(17,165,958)	33,123,684
<b>Balance at the end of the year</b>	38,847,198	56,013,156



**17. RENTALS RECEIVABLE ON HIRE PURCHASE**

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Receivable from over five years</b>		
Rentals Receivable	-	-
Unearned Income	-	-
Rentals Received in Advance	-	-
	-	-
<b>Receivable from one to five years</b>		
Rentals Receivable	-	-
Unearned Income	-	-
Rentals Received in Advance	-	-
	-	-
<b>Receivable within one year</b>		
Rentals Receivable	358,937	358,937
Unearned Income	-	-
Rentals Received in Advance	-	-
	358,937	358,937
<b>Total</b>		
Total Rentals Receivable	358,937	358,937
Unearned Income	-	-
Rentals Received in Advance	-	-
Provision for impairment of hire purchase (Note 17.1)	(207,503)	(180,921)
	151,434	178,016

**17.1 Movement in Impairment Charge for Hire Purchase Receivables**

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Balance as at 01 April</b>	180,921	288,537
Provision/(Reversal) during the year	26,582	(107,616)
<b>Balance at the end of the year</b>	207,503	180,921

**18. ADVANCE AND OTHER LOANS**

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Net Investment in Loans (Note 18.1)	218,222,625	311,542,815
Net Investment in Loans against Fixed Deposits (Note 18.2)	13,960,179	19,249,284
Net Investment in Pawning Advances (Note 18.3)	168,438,990	300,265,787
	400,621,794	631,057,886



## NOTES TO THE FINANCIAL STATEMENTS

### 18.1 Net Investment in Loans

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Loan Rental Receivable	214,406,441	330,308,120
Rentals in arrears	196,679,659	186,697,043
Unearned Income	(53,853,557)	(87,431,115)
Rentals Received in Advance	(1,092,030)	(2,518,963)
Provision for Impairment	(137,917,888)	(115,512,270)
	<b>218,222,625</b>	<b>311,542,815</b>

### 18.2 Net Investment in Loans against Fixed Deposits

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Fixed Deposit Loan Rental Receivable	13,778,460	19,083,513
Rentals in Arrears	181,719	165,771
	<b>13,960,179</b>	<b>19,249,284</b>

### 18.3 Net Investment in Pawning Advances

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Pawning Advance	161,727,406	282,881,207
Interest Receivable on Pawning Loans	6,869,214	17,418,292
Provision for Impairment	(157,630)	(33,712)
	<b>168,438,990</b>	<b>300,265,787</b>

### 18.4 Movement in Impairment Charge for Loans and Pawning Advances

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Balance as at 01 April	115,545,981	117,146,934
Provision/(reversal) during the year	22,529,536	(1,600,953)
Balance at the end of the year	<b>138,075,517</b>	<b>115,545,981</b>

### 19. OTHER RECEIVABLES

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Other Receivables (Note 19.1)	22,807,486	24,695,032
Deposits and Prepayments (Note 19.2)	30,564,801	34,604,149
	<b>53,372,287</b>	<b>59,299,181</b>

#### 19.1 OTHER RECEIVABLE

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Value Added Tax Receivable	944,717	944,717
VAT on Financial Services	1,417,051	4,319,162
Debt Repayment Levy Receivable	1,761,594	1,841,942
ESC Receivable	1,132,952	3,332,534
Crop Insurance Levy Receivable	125,464	125,464
Others (Note 19.3)	22,035,666	18,733,471
Less. Provision for other receivables	(4,609,958)	(4,602,258)
	<b>22,807,486</b>	<b>24,695,032</b>



## 19.2 DEPOSITS AND PREPAYMENTS

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Deposits	502,500	555,500
Rent Deposits	5,662,000	5,335,000
Prepayments (Note 19.3)	24,400,301	28,713,649
	<b>30,564,801</b>	<b>34,604,149</b>

**19.3** Other Receivable & Prepayments include the advance paid and receivables of Rs. 21,735,400/= from two external consulting firms who were engaging in due diligence assignments to find an investor in order to meet minimum core capital requirement of the Company. Legal actions have already been taken to recover the receivables due to their inability of finding an investor within agreed time period as per the agreements entered in to and the management is of the view that these can be recovered.

## 19.4 WRITE OFF OF OTHER RECEIVABLE BALANCES

Long outstanding receivable balances of following entities were written off during the year due to the probability of recovering of such receivables are uncertain.

<i>For the year ended 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Receivable from Entrust Securities PLC	-	119,259
Receivable from Entrust Limited	-	3,206
	-	122,465

## 20. REPOSSESSED STOCK

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Reposessed Stock	4,552,002	7,767,370
Less: Provision for decrease in value	(461,732)	(1,987,370)
	<b>4,090,270</b>	<b>5,780,000</b>

## 21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Quoted Shares Investments (Note 21.1)	-	-
Non Quoted Shares Investment (Note 21.2)	2,500	2,500
Investment in Long Term Government Securities (Note 21.3)	532,989	2,081,589
	<b>535,489</b>	<b>2,084,089</b>

### 21.1 Quoted Share Investment

<i>As at 31st March</i>	<b>2021</b>			<b>2020</b>		
	<b>No. of Shares</b>	<b>Cost Rs.</b>	<b>Market Value Rs.</b>	<b>No. of Shares</b>	<b>Cost Rs.</b>	<b>Market Value Rs.</b>
Entrust Securities PLC (Note 21.1.1)	100,000	5,157,120	-	100,000	5,157,120	-
	100,000	5,157,120	-	100,000	5,157,120	-
Less : Provision for diminution in value		(5,157,120)			(5,157,120)	
		-			-	



## NOTES TO THE FINANCIAL STATEMENTS

### 21.1.1 Mark to Market Valuation

The carrying value of the Entrust Securities PLC shares has been fully provided due to irrecoverability.

### 21.2 Non Quoted Shares Investment

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Credit Information Bureau of Sri Lanka	2,500	2,500

### 21.3 Investment in Long Term Government Securities

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Face value	600,000	2,000,000
Amortized cost	482,681	2,041,828
Market value	532,989	2,081,589

Investments in government debt securities measured at FVOCI have interest rates 9.0% (2020: 8.0% to 9.0%) and mature within a year.

## 22. INVESTMENT PROPERTY

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Balance as at 1st April	66,785,500	16,142,750
Additions during the year	-	57,137,466
Change in fair value	1,547,500	(3,494,716)
Disposal during the year	-	(3,000,000)
Balance as at 31st March	68,333,000	66,785,500

### 22.1 Details of investment properties

Description of the Properties	Location	Valuation technique	Extent	Name of the Valuer	Fair Value 2021	Fair Value 2020	Significant Unobservable Inputs	Interrelationship between Key Unobservable inputs and Fair Value Measurement
Land	Nattarampotha	Market approach	46.14 P	Sarath G. Fernando (FIV) Chartered Valuer	7,483,000	6,671,500	Valuer has used market price per perch for similar land based on adjusted fair value taking in to account of other valuation considerations. (i.e. Rs. 60,000 to 250,000 per perch.)	The estimated fair value would increase/ (decrease) if - Market value per perch was higher/(lower)
	Doratiyawa	Market approach	92.50 P	M.A.Ananda Sarath (FIV) Chartered Valuer	2,850,000	2,850,000	Valuer has used market price per perch for similar land based on adjusted fair value taking in to account of other valuation considerations. (i.e. Rs. 75,000 per perch.)	
Condominium Apartment (01 unit)	Rajagiriya	Market approach	2386 sq.ft	A.R.Ajith Fernando (FRICS), Chartered Valuation surveyor	58,000,000	57,264,000	Valuer has used market price per sqft for similar properties based on adjusted fair value taking in to account of other valuation considerations. (i.e. Rs. 25,000 per sq. ft )	The estimated fair value would increase/ (decrease) if - Market value per sq.ft. was higher/(lower)
					68,333,000	66,785,500		

Changes in fair value adjustments on investment properties (gain/loss), which are unrealised, are recognised in the statement of profit or loss.



## 22.2 Fair value hierarchy

The fair value measurement for the investment properties have been categorised as a level 03 fair value based on the inputs to the valuation technique used.

Based on the current circumstances, there is inadequate information to ascertain the impact of COVID 19 would have on the real estate sector as the pandemic condition continues to evolve. However all the readily available information in the market have been taken into account for determining the fair value of the properties as at the reporting date by the Property Valuer.

## Valuation techniques and significant unobservable inputs

The above table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

## 22.3 Restrictions on title and investment properties pledged as security for liabilities

There were no restrictions on titles of the investment properties as at the reporting date. No items of the investment properties were pledged as security for liabilities as at the reporting date.

## 22.4 Capitalization of borrowing costs into investment properties

No borrowing cost capitalized for the year ended 31st March 2021 (2020 - Rs. Nil).

## 22.5 Contractual obligations to construct and develop investment properties

There were no contractual obligations entered to construct and develop investment properties as at the reporting date.

## 22.6 Rental income recognised in Profit/Loss

No rental income was recognised from investment properties during the year

## 22.7 Direct operating expenses (repairs and maintenance) arising from investment property that did not generate rental income during the period

There were no direct operating expenses incurred in relation to the above investment properties other than mentioned below.

Company paid Rs. 387,224/= during the FY 2020/21(2019/20 - Nil) in relation to the annual maintenance services provided for the Condominium Apartment located in Rajagiriya.

## 23. PROPERTY, PLANT AND EQUIPMENT

### 23.1

<i>As at 31st March 2021</i>	<b>Computers Rs.</b>	<b>Furniture &amp; Fittings Rs.</b>	<b>Office Equipment Rs.</b>	<b>Motor Vehicles Rs.</b>	<b>Total 2021 Rs.</b>
<b>Cost</b>					
Balance at the beginning of the year	22,905,367	25,261,407	12,582,172	1,925,551	62,674,497
Additions during the year	59,238	-	-	-	59,238
Disposals during the year	(78,074)	-	(114,106)	-	(192,180)
<b>Balance at the end of the year</b>	<b>22,886,531</b>	<b>25,261,407</b>	<b>12,468,066</b>	<b>1,925,551</b>	<b>62,541,555</b>
<b>Accumulated Depreciation</b>					
Balance at the beginning of the year	16,686,348	12,666,698	10,137,718	1,639,269	41,130,033
Charge for the year	2,833,149	5,521,467	1,135,964	85,471	9,576,051
Disposal/Transfers during the year	(50,196)	-	(114,106)	-	(164,302)
<b>Balance at the end of the year</b>	<b>19,469,301</b>	<b>18,188,165</b>	<b>11,159,576</b>	<b>1,724,740</b>	<b>50,541,782</b>
<b>Carrying Value as at 31st March 2021</b>	<b>3,417,230</b>	<b>7,073,242</b>	<b>1,308,490</b>	<b>200,811</b>	<b>11,999,773</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 23.2

<i>As at 31st March 2020</i>	<b>Computers Rs.</b>	<b>Furniture &amp; Fittings Rs.</b>	<b>Office Equipment Rs.</b>	<b>Motor Vehicles Rs.</b>	<b>Total 2020 Rs.</b>
<b>Cost</b>					
Balance at the beginning of the year	21,850,967	27,416,810	12,154,556	2,614,009	64,036,342
Additions during the year	1,054,400	434,593	734,578	254,450	2,478,021
Disposals during the year	-	(2,589,996)	(306,962)	(942,908)	(3,839,866)
Balance at the end of the year	22,905,367	25,261,407	12,582,172	1,925,551	62,674,497
<b>Accumulated Depreciation</b>					
Balance at the beginning of the year	13,539,156	7,117,698	9,013,930	2,537,743	32,208,527
Charge for the year	3,147,192	6,640,637	1,430,750	44,434	11,263,013
Disposal/Transfers during the year	-	(1,091,637)	(306,962)	(942,908)	(2,341,507)
Balance at the end of the year	16,686,348	12,666,698	10,137,718	1,639,269	41,130,033
Carrying Value as at 31st March 2020	6,219,019	12,594,709	2,444,454	286,282	21,544,464

**23.3 The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the reporting date is as follows ;**

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Description</b>		
Computers	12,574,426	10,577,166
Furniture & Fittings	4,529,029	1,232,390
Office Equipment	8,360,555	6,995,152
Motor Vehicles	1,498,201	1,498,201
	<b>26,962,211</b>	<b>20,302,909</b>

### 23.4 Title Restriction on Property, Plant and Equipments

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

### 23.5 Property, Plant and Equipment Pledged as Security for Liabilities

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

### 23.6 Temporarily Idle Property, Plant and Equipments

The carrying amount of the temporarily idle property, plant and equipment is Rs. 1,155,079/= as at 31.03.2021 (Rs. 1,758,018 as at 31.03.2020)



## 24. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right-of-use-assets recognized and movements during the year.

### 24.1 Cost

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Balance as at 01 April	47,439,192	-
Recognition of ROU assets on initial application of SLFRS 16	-	47,439,192
Additions and Improvements	10,260,506	-
Balance as at 31 March	57,699,698	47,439,192

### 24.2 Amortisation

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Balance as at 01 April	15,112,448	-
Amortisation expenses for the year	15,185,156	15,112,448
Accumulated Amortisation as at 31 March	30,297,604	15,112,448

### 24.3

Net Book Value as at 31 March	27,402,094	32,326,744
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## 25. INTANGIBLE ASSETS

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Cost</b>		
Balance at the beginning of the year	13,331,847	20,082,603
Additions during the period	-	-
Disposal during the period	(20,327)	(6,750,756)
Balance at the end of the year	13,311,520	13,331,847
<b>Amortisation</b>		
Balance at the beginning of the year	11,830,064	17,476,206
Charge for the year	976,921	1,104,614
Disposal during the period	(20,325)	(6,750,756)
Balance at the end of the year	12,786,660	11,830,064
<b>Carrying Value at the end of the year</b>	<b>524,860</b>	<b>1,501,783</b>

## 26. DEPOSITS DUE TO CUSTOMERS

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Fixed Deposits	289,335,869	501,243,271
Saving Deposits	4,936,318	9,462,835
	294,272,187	510,706,106



## NOTES TO THE FINANCIAL STATEMENTS

### 27. OTHER PAYABLE

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Statutory Payables (Note 27.1)	272,220	199,683
Accrued Expenses	7,042,853	8,818,897
Other Payables	8,042,912	7,236,291
Payable to Entrust Limited (Note 27.2)	24,743,634	32,227,455
Amount due to Related parties (Note 35.1)	1,539,733	1,214,873
	<b>41,641,352</b>	<b>49,697,199</b>

#### 27.1 STATUTORY PAYABLES

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Withholding Tax	10,831	29,551
Stamp Duty	261,389	170,132
	<b>272,220</b>	<b>199,683</b>

**27.2** Amount payable to Entrust Limited (EL) includes cash collected and not yet remitted to EL in relation to the portfolio disposed during the year 2015, amounting to Rs.24,743,634/- (2020-Rs. 32,227,455/-). This balance is presented net, after setting off a repo receivable balance of Rs.54 Mn from Entrust Securities Limited, against total payable due to EL, based on the legal confirmation obtained on 23 June 2017 confirming that there is no bar to setting off the above as explained.

### 28. LEASE LIABILITY

Set out below are the carrying amounts of Lease Liabilities and movements during the year.

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
<b>Balance as at 01 April</b>	<b>33,065,188</b>	-
Recognition of Lease Liability on initial application of SLFRS 16	-	41,916,792
Additions	10,260,506	-
Interest on Lease Liabilities	3,149,911	4,318,366
Payments	(16,954,897)	(13,169,970)
Negative lease payments due to rent concessions	(774,100)	-
<b>Balance as at 31 March</b>	<b>28,746,608</b>	<b>33,065,188</b>
<b>Amount Recognized in Profit or Loss</b>		
Interest on Lease Liabilities	3,149,911	4,318,366
Amortisation Charge for the year	976,921	1,104,614
Negative lease payments due to rent concessions	(774,100)	-
	<b>3,352,732</b>	<b>5,422,980</b>
<b>Amount Recognized in Cash flows</b>		
Payment of Lease liabilities	<b>16,954,897</b>	<b>13,169,970</b>

\* Maturity Analysis of Lease liability (Undiscounted) refer the note 40.





## 29. RETIREMENT BENEFIT OBLIGATION

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Balance at the beginning of the year	6,736,055	4,891,980
Amount recognized in Profit or Loss (Note 29.1)	1,870,864	2,514,899
Amount recognized in Other Comprehensive Income (Note 29.2)	660,791	(536,574)
	<b>9,267,710</b>	<b>6,870,305</b>
Payments during the year	(765,300)	(134,250)
Balance at the end of the year	<b>8,502,410</b>	<b>6,736,055</b>

### 29.1 Expenses recognised in the statement of profit or loss

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Current Service Cost	1,197,259	1,976,782
Interest on obligation	673,605	538,117
	<b>1,870,864</b>	<b>2,514,899</b>

### 29.2 Remeasurement of Retirement Benefit Obligation recognised in the statement of other comprehensive income

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Experience adjustment	(420,708)	(102,720)
Demographic and Financial assumptions	1,081,499	(433,854)
Remeasurement of retirement benefit obligation	<b>660,791</b>	<b>(536,574)</b>

**29.3** An Independent Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2021 by Mr.P.S.Goonetilleke of Piyal S Goonetilleke and Associates, a firm of professional actuaries.

The Valuation method used by the actuaries to value the Retirement benefit obligation is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No.19,'Employee Benefits'.

**The key assumptions used by the actuary include the following,**

<i>As at 31st March</i>	<b>2021</b>	<b>2020</b>
i) Rate of Interest (per annum) :	7.10%	10.00%
ii) Rate of Salary Increase (per annum) :	5.00%	5.00%
iii) Retirement Age	55 years	55 years
iv) The company will continue as a going concern.		

The liability is not externally funded.



## NOTES TO THE FINANCIAL STATEMENTS

### 29.4 Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonable 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 other comprehensive income, statement of financial position, is the effect of the assumed changes in discount rate and salary increment rate as depicted below.

2021	Effect on employee benefit obligation	
	Increase	Decrease
Discount Rate (change by 1%)	(412,310)	462,313
Salary Increment Rate (change by 1%)	458,790	(416,965)

2020	Effect on employee benefit obligation	
	Increase	Decrease
Discount Rate (change by 1%)	(206,120)	222,458
Salary Increment Rate (change by 1%)	228,439	(215,205)

### 30. DEFERRED TAXATION

As at 31st March	Asset		Liability		Net	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Property, Plant and Equipment	-	-	140,465	813,484	140,465	813,484
Lease Rental Receivable	-	-	5,741,728	10,660,792	5,741,728	10,660,792
Right of use Assets	(322,683)	(206,764)	-	-	(322,683)	(206,764)
Retirement Benefit Obligation	(2,040,578)	(1,886,095)	-	-	(2,040,578)	(1,886,095)
Carried forward Disallowed Impairment (including SLFRS 9 day one impact)	-	(19,547,633)	-	-	-	(19,547,633)
Carried forward Tax losses	(3,324,210)	(8,402,895)	-	-	(3,324,210)	(8,402,895)
Investment Property	(194,722)	(978,520)	-	-	(194,722)	(978,520)
	(5,882,193)	(31,021,907)	5,882,193	11,474,276	-	(19,547,631)

#### 30.1 Reconciliation of Deferred Tax

	Balance 1st April 2019	Recognised in Profit or Loss	Recognised in OCI	Recognised in Equity	Balance 31st March 2020	Balance 1st April 2020	Recognised in Profit or Loss	Recognised in OCI	Balance 31st March 2021
<b>Liability</b>									
Property, Plant and Equipment	1,504,718	(691,234)	-	-	813,484	813,484	(673,019)	-	140,465
Lease Rental Receivable	14,651,194	(3,990,402)	-	-	10,660,792	10,660,792	(4,919,064)	-	5,741,728
	16,155,912	(4,681,636)	-	-	11,474,276	11,474,276	(5,592,082)	-	5,882,193
<b>Assets</b>									
Retirement Benefit Obligation	(1,369,754)	(666,582)	150,241	-	(1,886,095)	(1,886,095)	4,107	(158,590)	(2,040,578)
Allowance for loan losses	(26,755,816)	7,208,183	-	-	(19,547,633)	(19,547,633)	19,547,633	-	-
Carried forward Tax losses	(45,472,751)	37,069,856	-	-	(8,402,895)	(8,402,895)	5,078,685	-	(3,324,210)
Right of Use Assets/Lease Liability	-	(206,764)	-	-	(206,764)	(206,764)	(115,919)	-	(322,683)
Investment Property	-	(978,520)	-	-	(978,520)	(978,520)	783,799	-	(194,722)
	(73,598,321)	42,426,173	150,241	-	(31,021,907)	(31,021,907)	25,298,305	(158,590)	(5,882,193)
	(57,442,409)	37,744,537	150,241	-	(19,547,631)	(19,547,631)	19,706,223	(158,590)	-



### 30.2 Derecognised deferred tax assets

Deferred tax asset has not been recognised in respect of the following deductible temporary differences, because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

As at 31st March	2021		2020	
	Gross amount Rs.	Tax effect Rs.	Gross amount Rs.	Tax effect Rs.
Carried forward Tax losses	304,330,722	73,039,373	222,157,586	62,204,124
Carried forward Disallowed Impairment (including SLFRS 9 day one impact)	69,812,977	16,755,114	-	-
	374,143,699	89,794,487	222,157,586	62,204,124

### 31. STATED CAPITAL

As at 31st March	2021 Rs.	2020 Rs.
Issued and Fully Paid:		
Ordinary Shares	898,375,289	898,375,289
Shares Issued during the year	-	-
Balance at the end of the year (Ordinary Shares 63,610,181)	898,375,289	898,375,289

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

### 32. RESERVES

#### 32.1 Statutory Reserve

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	5,389,222	5,389,222
Transfer during the year	-	-
Balance at the end of the year	5,389,222	5,389,222

Statutory reserve is a capital reserve which contains profit transferred as required by Section 3(b)(ii) of Central Bank Capital Fund Direction No. 1 of 2003, issued to Finance Companies.

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of each year after due provisions have been made for taxation and bad and doubtful debts on the following basis:

Capital funds to Deposit Liabilities	% of transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

#### 32.2 General Reserve

As at 31st March	2021 Rs.	2020 Rs.
Balance at the end of the year	11,266,050	11,266,050

This is a reserve set aside from profits for the use of general purposes.



## NOTES TO THE FINANCIAL STATEMENTS

### 32.3 Fair Value Reserve

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Balance at the beginning of the year	247,199	232,052
Impact of charge in fair value	10,546	15,147
Realised gain on derecognition reclassified to Profit or Loss	(207,437)	-
<b>Balance at the end of the year</b>	<b>50,308</b>	<b>247,199</b>

#### The fair value reserve comprises:

- the cumulative net change in fair value of debt securities designated at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

#### Reclassification on derecognition;

- During the financial year 2020/21 Investments in long term government securities amounting to Rs. 1,400,000/= designated at FVOCI were derecognised on maturity. Thus cumulative gain of Rs. 207,438/= previously recognised in other comprehensive income reclassified from Fair value reserve to Profit or Loss.

## 33. FINANCIAL INSTRUMENTS

### 33.1 Financial Instruments - Statement of Financial Position

#### Financial Assets

	Note	Measured at Amortised Cost Rs.	Assets at fair value		Total  Rs.
			Fair Value Through Profit & loss Rs.	Fair Value Through OCI Rs.	
<b><i>As at 31st March 2021</i></b>					
Cash at Bank & in Hand	13.1	23,195,923	-	-	23,195,923
Placements with Banks and other financial institutions	14	119,229,696	-	-	119,229,696
Rental receivables on Lease	16	155,459,039	-	-	155,459,039
Rental receivables on Hire purchase	17	151,434	-	-	151,434
Advances and Other Loans	18	400,621,794	-	-	400,621,794
Financial Assets Measured at FVOCI	21	-	-	535,489	535,489
Other receivables	19	21,735,400	-	-	21,735,400
<b>Total Financial Assets</b>		<b>720,393,286</b>	<b>-</b>	<b>535,489</b>	<b>720,928,775</b>
Other Non Financial Assets					170,949,916
<b>Total Assets</b>					<b>891,878,691</b>
<b><i>As at 31st March 2020</i></b>					
Cash at Bank & in Hand	13.1	6,356,430	-	-	6,356,430
Placements with Banks and other financial institutions	14	112,533,036	-	-	112,533,036
Rental receivables on Lease	16	230,499,827	-	-	230,499,827
Rental receivables on Hire purchase	17	178,016	-	-	178,016
Advances and Other Loans	18	631,057,886	-	-	631,057,886
Financial Assets Measured at FVOCI	21	-	-	2,084,089	2,084,089
<b>Total Financial Assets</b>		<b>980,625,195</b>	<b>-</b>	<b>2,084,089</b>	<b>982,709,284</b>
Other Non Financial Assets					212,012,932
<b>Total Assets</b>					<b>1,194,722,216</b>

Unquoted equity investments of Rs. 2,500 are stated at cost as it was impractical to compute the market value due to unavailability of market information. However, Management has determined the impact as immaterial as it was less than 0.01 % of the total assets.



### Financial Liabilities

	Note	Fair value through PL/OCI Rs.	Measured at Amortized cost Rs.	Total Rs.
<b>As at 31st March 2021</b>				
Due to banks and financial institutions	13.2	-	3,128,745	3,128,745
Deposits due to customers	26	-	294,272,187	294,272,187
Other Payable	27	-	34,326,279	34,326,279
Lease Liability	28	-	28,746,608	28,746,608
<b>Total Financial Liabilities</b>		-	360,473,819	360,473,819
Other Non Financial Liabilities				15,817,483
<b>Total Liabilities</b>				376,291,302
<b>As at 31st March 2020</b>				
Due to banks and financial institutions	13.2	-	17,367,053	17,367,053
Deposits due to customers	26	-	510,706,106	510,706,106
Other Payable	27	-	40,678,619	40,678,619
Lease Liability	28	-	33,065,188	33,065,188
<b>Total Financial Liabilities</b>		-	601,816,966	601,816,966
Other Non Financial Liabilities				15,754,635
<b>Total Liabilities</b>				617,571,601

### 33.2 Valuation of financial instruments

Financial instruments recorded at fair values are determined for several valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

#### Financial Assets Measured at FVOCI

Multi Finance PLC has classified the investment in Investment securities and certain shares under Financial Asset measured at FVOCI.

These investments are held by Multi Finance PLC as a strategic investment and this was not acquired for trading purpose. Accordingly this investment was classified under the category of Financial Asset measured at FVOCI.

Further the Directors assessed the valuation of the investment securities and concluded that the value of investment has not significantly increased or impaired.

Fair value of the investment was obtained by reference to market price as per last trading date.

#### Determination of fair value and fair value hierarchy

Multi Finance PLC uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial Asset measured at FVOCI of Multi Finance PLC that has been valued using the Level 1 techniques of the valuation hierarchy and fair value as at 31st March 2021 is Rs. 532,989 ( 2020 : Rs. 2,081,589). Total gain recognized in the equity on this investment for the year ended 31 March 2021 is Rs. 10,546.



## NOTES TO THE FINANCIAL STATEMENTS

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>As at 31st March 2021</b>				
Financial Assets Measured at Fair Value Through Other Comprehensive Income	532,989	-	2,500	535,489
Investment Property	-	-	68,333,000	68,333,000
	<b>532,989</b>	<b>-</b>	<b>68,335,500</b>	<b>68,868,489</b>
<b>As at 31st March 2020</b>				
Financial Assets Measured at Fair Value Through Other comprehensive income / Financial Investments - Available For Sale	2,081,589	-	2,500	2,084,089
Investment Property	-	-	66,785,500	66,785,500
	<b>2,081,589</b>	<b>-</b>	<b>66,788,000</b>	<b>68,869,589</b>

### 34. FINANCIAL RISK MANAGEMENT

#### 34.1 Introduction and Overview

The Company has exposure to following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

#### Risk Management Framework

The Board of Directors possess overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

The Board has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas. With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly risk review reports are submitted by the respective senior manager who supervises each major category of risk.

#### 34.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk).



### Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit Committee of the Company. A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Large facilities require approval by Company credit, the Head of the Company Credit, the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: The Company's Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewal and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to counter-parties, geographies and industries (for loan and receivables, financial guarantees and similar exposures) and by issuer, credit rating band, market liquidity and country (for investment securities);
- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.
- Regular audits of business units and Company Credit processes are under taken by internal Audit.

### Maximum Exposure to Credit Risk

The Carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the end of the reporting period was as follows.

<i>As at 31st March</i>	<b>Note</b>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Placements with Banks and other financial institutions	14	119,229,696	112,533,036
Rental receivable on lease	16	155,459,039	230,499,827
Rental receivable on hire purchase	17	151,434	178,016
Advance and other loans	18	400,621,794	631,057,886
Financial Asset measured at FVOCI	21	535,489	2,084,089

### Age analysis of loans and receivables

<i>As at 31st March 2021</i>	<b>Rental receivable on Lease Rs.</b>	<b>Rental receivable on Hire Purchase Rs.</b>	<b>Advances and other loans  Rs.</b>
Less than 90 days	92,907,848	-	213,736,282
91 to 179 days	74,023,559	-	38,321,194
180 to 365 days	3,166,555	-	28,686,427
More than 365 days	24,208,275	358,936	257,953,410
Impairment	(38,847,198)	(207,502)	(138,075,518)
<b>Total</b>	<b>155,459,039</b>	<b>151,434</b>	<b>400,621,795</b>



## NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March 2020</i>	<b>Rental receivable on Lease Rs.</b>	<b>Rental receivable on Hire Purchase Rs.</b>	<b>Advances and other loans Rs.</b>
Less than 90 days	203,524,687	-	332,073,178
91 to 179 days	33,663,255	-	76,251,163
180 to 365 days	26,330,567	-	66,337,755
More than 365 days	22,994,474	358,937	271,941,771
Impairment	(56,013,156)	(180,921)	(115,545,981)
<b>Total</b>	<b>230,499,827</b>	<b>178,016</b>	<b>631,057,886</b>

### Credit Quality Analysis

The below tables summarises the credit quality of loans and receivables

<b>Loan Category</b>	<b>As at 31st March 2021</b>		
	<b>Total Rs.</b>	<b>Performing Rs.</b>	<b>Non Performing Rs.</b>
Rental receivable on Lease	194,306,237	166,931,407	27,374,830
Rental receivable on Hire Purchase	358,936	-	358,936
Advance and other Loans	538,697,312	247,730,468	290,966,844
<b>Total Gross loans and receivables</b>	<b>733,362,485</b>		

### Impairment

-Individual impairment	(103,134,861)
-Collective Impairment	(73,995,358)
<b>Total net loans and receivables</b>	<b>556,232,266</b>

<b>Loan Category</b>	<b>As at 31st March 2020</b>		
	<b>Total Rs.</b>	<b>Performing Rs.</b>	<b>Non Performing Rs.</b>
Rental receivable on Lease	286,512,983	237,187,942	49,325,041
Rental receivable on Hire Purchase	358,937	-	358,937
Advance and other Loans	746,603,867	408,324,340	338,279,527
<b>Total Gross loans and receivables</b>	<b>1,033,475,787</b>		

### Impairment

-Individual impairment	(112,106,053)
-Collective Impairment	(59,634,005)
<b>Total net loans and receivables</b>	<b>861,735,729</b>





## Credit Concentration Risk

Company Monitors credit concentration risk under product portfolios

As at 31st March	2021		2020	
	Rs.	%	Rs.	%
Leasing	155,459,039	27.95%	230,499,827	26.75%
Hire Purchase	151,434	0.03%	178,016	0.02%
Business loans	78,858,698	14.18%	114,053,335	13.24%
Mortgage Loans	121,632,897	21.87%	143,243,180	16.62%
Vehicle Loans	10,085,947	1.81%	21,243,145	2.47%
FD against Loans	13,960,179	2.51%	19,249,284	2.23%
Pawning	168,438,990	30.28%	300,265,787	34.84%
Staff Loans	5,630,385	1.01%	10,138,729	1.18%
Multi Draft	1,262,157	0.23%	18,101,526	2.10%
Personal Loan	752,542	0.14%	3,755,795	0.44%
Educational Loans	-	0.00%	1,007,105	0.12%
	556,232,268	100.00%	861,735,728	100.00%

Province wise concentration risk is as follows:

As at 31st March	Lease rental receivables		Hire Purchase receivables		Advance and other loans	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Western	106,970,518	145,045,014	-	-	331,601,830	432,372,544
Southern	21,051,099	36,460,165	-	-	25,264,799	33,817,186
Sabaragamuwa	10,733,215	21,117,942	358,936	358,937	50,331,649	70,297,615
Central	5,714,783	17,476,538	-	-	47,822,874	85,263,878
North Western	13,473,446	22,581,110	-	-	52,644,326	68,773,307
North Central	36,363,176	43,832,214	-	-	31,031,835	56,079,337
Impairment	(38,847,198)	(56,013,156)	(207,502)	(180,921)	(138,075,518)	(115,545,981)
	155,459,039	230,499,827	151,434	178,016	400,621,795	631,057,886

## Collaterals held

The Company holds collaterals against some of its credit exposures. The following table depicts the credit exposures for which collaterals held by the company.

As at 31st March	2021 Rs.	2020 Rs.
Secured by moveable assets	374,356,632	637,609,737
Secured by non-moveable assets	138,456,337	157,406,665
Secured by Cash	13,960,179	19,249,284

## Amounts arising from ECL

### Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.



## NOTES TO THE FINANCIAL STATEMENTS

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. The Company considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due for the retail loans and not more than 180 days past due for the business loans.

### Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the Base scenario, and two less likely scenarios, one Best and one Worse scenario. The central scenario is aligned with information used by the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by Central Bank of Sri Lanka and International Monetary Fund.

The scenario probability weightings applied in measuring ECL are as follows.

As at 31st March	2021		
	Base	Best	Worse
Scenario probability weighting	68%	11%	21%

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are: GDP growth, inflation, interest rates and unemployment rates.

The table below lists the macroeconomic assumptions used in the base, best and worse scenarios over the five-year forecast period. The assumptions represent the absolute percentages.

	GDP Change	Inflation Rate	Interest rates	Unemployment Rate
<b>Base Case - 5-year average</b>				
2020	5.80%	5.46%	6.83%	4.98%
2019	3.68%	5.30%	6.31%	5.26%
<b>Best Case - 5-year average</b>				
2020	6.80%	6.46%	7.83%	5.98%
2019	4.68%	6.30%	7.31%	6.26%
<b>Worst Case - 5-year average</b>				
2020	4.80%	4.46%	5.83%	3.98%
2019	2.68%	4.30%	5.31%	4.26%

**Stage wise movement in impairment**

<i>Loan and Advances at Amortized cost</i>	<b>Stage 1 Rs.</b>	<b>Stage 2 Rs.</b>	<b>Stage 3 Rs.</b>	<b>Total Rs.</b>
Balance as at 01 April 2020	7,390,671	9,683,062	154,632,613	171,706,346
Transfer to Stage 1	5,710,731	(1,018,244)	(4,692,487)	-
Transfer to Stage 2	(1,787,404)	2,754,697	(967,293)	-
Transfer to Stage 3	(207)	(1,215,630)	1,215,837	-
Net remeasurment of Loss allowance	(8,044,358)	4,719,311	20,545,080	17,220,033
Impairment on new loan granted during the year	428,949	859	10,495,996	10,925,804
Financial asset that have been derecognized	(2,150,315)	(2,642,945)	(17,928,708)	(22,721,968)
<b>Balance as at 31 March 2021</b>	<b>1,548,067</b>	<b>12,281,110</b>	<b>163,301,038</b>	<b>177,130,215</b>

**Sensitivity Analysis: Impact of scenario weightages of loans on collective impairment.**

The assumptions involved in ECL is highly sensitive to the changes in economic conditions. Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate with in a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to the assignment of weightages.

**Change In weightage**

100% best case scenario  
100% base case scenario  
100% Worst case scenario

**Impact to the collectively assessed ECL**

Decrease in impairment by Rs. 353,692  
Decrease in impairment by Rs. 4,221,813  
Increase in impairment by Rs. 2,940,545

**34.3 Liquidity Risk**

Liquidity risk is that which the Company will encounter in terms of difficulties in meeting obligations associated with its financial liabilities which are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Finance Division receives information from other business lines regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Division then maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed and call deposits and short term government securities, to ensure that sufficient liquidity maintained within the Company as a whole. All liquidity policies and procedures are subject to review and approval by Integrated Risk Management Committee. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to Integrated Risk Management Committee.

COVID-19, disrupted the cash flows of the certain business segments. Due to the credit relief offered to customers by deferring their payments and unexpected fixed deposits withdrawals, it is evident to maintain excess liquidity to meet unexpected circumstances. Therefore mismatches of contractual cash flows are expected in the financial services industry.

To manage the expected liquidity drains due to COVID-19, the Company closely monitors the funding and recovery plans on daily basis. Respectively, the Central Bank of Sri Lanka relaxed the statutory liquid assets requirements until 30th June 2021 resulting in excess cash flows to the Company. Further, the Company implemented stringent expense control measures and freeze all non-essential capital expenditure.

**Exposure to Liquidity Risk**

Exposure to Liquidity Risk is monitored through the Liquid Asset Ratio (LAR) of the Company.

<i>As at 31st March</i>	<b>2021</b>	<b>2020</b>
<b>Liquid Asset Ratio (LAR)</b>		
Average for the year	29.24%	15.82%
Maximum for the year	40.12%	22.46%
Minimum for the year	17.80%	6.73%



## NOTES TO THE FINANCIAL STATEMENTS

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio calculation is given below.

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Cash in Hand	6,926,880	2,674,087
Balances in Current Accounts free from lien	789,188	640,144
Deposits in Commercial Banks free from lien	41,239,085	31,483,132
Central Bank of Sri Lanka Securities maturing within one year and free from any lien or charge	55,825,001	55,000,000
<b>Total Liquid Assets as at end of March</b>	<b>104,780,154</b>	<b>89,797,363</b>

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2021, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

<i>As at 31st March 2021</i>	<b>Up to 3 months Rs.</b>	<b>3 to 12 months Rs.</b>	<b>1 to 3 years Rs.</b>	<b>3 to 5 years Rs.</b>	<b>More than 5 years Rs.</b>	<b>Total Rs.</b>
<b>Interest Bearing Assets</b>						
Cash and cash equivalents*	11,239,085	-	-	-	-	11,239,085
Placements with Banks and Other Finance Companies	62,972,691	56,257,005	-	-	-	119,229,696
Finance Lease Receivables**	30,715,643	37,038,677	80,678,568	7,026,152	-	155,459,039
Hire Purchase Receivables**	151,434	-	-	-	-	151,434
Loans and Receivables from Other Customers**	298,321,990	41,846,944	40,910,306	10,978,445	8,564,109	400,621,794
Financial Assets Measured at FVOCI	532,988	-	-	-	-	532,988
<b>Total Interest Bearing Assets</b>	<b>403,933,832</b>	<b>135,142,626</b>	<b>121,588,874</b>	<b>18,004,597</b>	<b>8,564,109</b>	<b>687,234,037</b>
Percentage 2021	59%	20%	18%	3%	1%	
Percentage 2020	46%	20%	26%	6%	2%	
<b>Interest Bearing Liabilities</b>						
Due to banks and financial institutions	3,128,745	-	-	-	-	3,128,745
Deposits Due to Customers	49,070,925	197,238,621	46,397,605	1,565,038	-	294,272,189
<b>Total Interest Bearing Liabilities</b>	<b>52,199,670</b>	<b>197,238,621</b>	<b>46,397,605</b>	<b>1,565,038</b>	<b>-</b>	<b>297,400,934</b>
Percentage 2021	18%	66%	16%	1%	0%	
Percentage 2020	22%	56%	19%	2%	0%	

\* Which is included the balance of saving accounts.

\*\* Loans and Receivables from Other Customers and Lease Rental & Hire Purchase Receivables are reported net of impairment.

### 34.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in Integrated Risk Management Committee (IRMC) of the Company.

### Interest Rate Risk

Interest Rate Risk arises due to fluctuations in the interest rate resulting in adverse impact to future cash flows or the fair values of financial instruments of the Company.



### Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Rate Sensitive Assets (RSA)	687,234,037	977,847,560
Rate Sensitive Liabilities (RSL)	297,400,934	528,073,160
GAP (RSA-RSL)	389,833,104	449,774,400

### Equity Risk

Equity risk is the risk that Company's investments in equity shares will depreciate because of stock market dynamics causing company to lose money.

### Equity based investment Portfolio risk Analysis

Equity Investments made in a listed entity where there is no active market transactions for a long period of time are fully impaired as mentioned in note no. 21.1

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'financial instruments' denominated in currencies other than its functional/reporting currency, hence do not get exposed to currency risk arising from translation of such balance in to the functional/reporting currency, which is Sri Lankan Rupees.

### 34.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls is to address operational risk assigned to senior management within each business line. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where it is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business line to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

### Capital Management

Capital Adequacy is a measure of a finance company's ability to withstand the associated risks of its business. Regulators find it necessary that every finance company to hold adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks.

Every finance company with assets less than Rs 100 bn shall, subject to the provisions of the Finance Business Act Directions No.03 of 2018 (Capital Adequacy Requirements), at all time, maintain its Tier 1 capital & Total Capital (adjusted for the items that may be specified by the Director) at a level not less than 6.5 percent and 10.5 percent respectively of its risk weighted assets with effect from 01st July 2019 and maintain its Tier 1 capital & Total Capital at a level not less than 7.0 percent and 11.0 percent respectively of its risk weighted assets with effect from 01st July 2020 computed as per instructions issued by the CBSL.

Company is in compliance with the Tier 1 Capital ratio & Total Capital ratio as required by the Finance Business Act Directions No.03 of 2018 (Capital Adequacy Requirements).

### 35. RELATED PARTY TRANSACTIONS

#### 35.1 Transaction with related Companies

The Company carried out transaction in the ordinary course of its business on an arm's length basis at commercial rates during the year with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 'Related Party Disclosure', the details of which are reported below.

Name of the Company	Nature of relationship	Nature of transactions	Amount (Paid) / Received	Amount (Paid) / Received
			2021 Rs.	2020 Rs.
Fairway Holdings (Pvt) Ltd	Significant shareholder	Reimbursement of expenses	(1,282,786)	(2,134,583)
		Interest income recognised	845,562	1,165,381
Fairway Elements (Pvt) Ltd	Subsidiary of significant shareholder	Reimbursement of expenses	(36,170)	-
Lakderana Investments Limited.	Common Director	Building rent charges	(3,813,398)	(4,753,381)
		Reimbursement of expenses	(28,607)	(63,933)
		Reimbursement of expenses	278,613	1,864,864
Gowers Solutions (Pvt) Ltd	Common Director	Interest income recognised	-	12,089

### ITEMS IN STATEMENT OF FINANCIAL POSITION

Name of the Company	Nature of relationship	Reported Under Rental receivable on lease	As at 31st March	
			2021 Rs.	2020 Rs.
Fairway Holdings (Pvt) Ltd	Significant shareholder	Loan Outstanding	7,111,784	7,177,683
		<b>Reported Under Other payable</b>		
Fairway Holdings (Pvt) Ltd	Significant shareholder	Reimbursement of expenses	296,234	395,933
Lakderana Investments Limited.	Common Director	Reimbursement of expenses	1,243,499	818,939



### 35.2 Transactions with Key Management Personnel

Key management persons according to LKAS 24 'Related Party Disclosures', are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive) who meet the above criteria have been classified as key management personnel of the Company.

### 35.3 Key Management Personnel Compensation

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Short-term employee benefits	9,385,425	11,556,800
<b>Total</b>	<b>9,385,425</b>	<b>11,556,800</b>

### 35.4 Key Management Personnel Transactions

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Deposits held with the Company	9,963	4,996
<b>Total</b>	<b>9,963</b>	<b>4,996</b>

## 36. COMMITMENTS

### (a) Capital Commitments

The Company had no material capital commitments outstanding as at the Balance Sheet date.

### (b) Financial Commitments

<i>As at 31st March</i>	<b>2021 Rs.</b>	<b>2020 Rs.</b>
Commitment for Unutilised Facilities	-	2,391,962

### (c) Assets Pledged

The following assets have been pledged as security for liabilities.

Nature of Assets Pledged	Nature of Liability	Carrying Amount Pledged (Rs.)	Included Under
Fixed Deposits	Overdraft	20,000,000	Placements with Banks and other financial institutions

## 37. CONTINGENCIES

There were no material contingent liabilities as at the balance sheet date, which require adjustments to or disclosure in the Financial Statements.

## 38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date, that require adjustments to or disclosure in the Financial Statements.

## 39. IMPACT OF COVID-19 PANDEMIC

### 39.1 Going Concern Assessment

COVID-19 has dramatically reshaped the world in which we live, with tumultuous economic and financial effects running alongside the public health emergency which resulted in the necessity of border closures, business closures, job losses and layoffs and much tragedy throughout the world. Social distancing and working from home became the new normal, changing our lifestyles dramatically and all who could afford it embedded digital platforms into their lifestyles.



## NOTES TO THE FINANCIAL STATEMENTS

Due to the difficult operating conditions, the performance of the entity will be more challenging, affecting asset quality and profitability recovery. Further the restrictions imposed by the Government of Sri Lanka in order to curtail the pandemic early in the financial year greatly hindered the operations of the Company. However, in order to continue the business activities to a possible extent, the Company redesigned its business continuity plans. This helped the Company to honor the requests of its deposit holders as well as its lending customers.

The Central Bank of Sri Lanka imposed guidelines to the NBF sector to offer concessions on financial obligations for individual customers and private businesses due to the adverse short-term impact on their source of income. The Company adhered to guidelines and acted upon with the intention of providing maximum possible relief to the customers.

With the continuous monitoring of company's operation and the trend in economic environment, Management identified that maintaining the adequate liquidity level will be the most important factor in current conditions to safeguard the deposit holders & to maintain optimum level of operations.

The Company further stress tested the ability to continue its operation in the foreseeable future by forecasting its operation for the upcoming 12 months and is confident of the ability of the Company to manage its operations considering the amount of unutilized and excess cash available to the Company.

### 39.2 Allowance for Expected Credit Losses

The Company measures the impairment allowances for the loans and receivables using Expected Credit Loss model (ECL) as per SLFRS 09. The Company's accounting policy for the recognition and measurement of the impairment allowance is described in Note 4.2.10 to the audited financial statements.

The Company expects a possible increase in credit risk due to the loss of income by the businesses and the individuals which would delay the settlement of rentals and some of the customers may default the settlements. However, the Company is of the view that the extension of payment period of facilities under the CBSL announced moratorium scheme will support the eligible customers to resume their businesses and it will allow them to pay the obligations in foreseeable future. Therefore the recoverability of the facilities will not be permanently impaired.

### 40. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

An analysis of the contractual cash flows of financial assets and financial liabilities as at the year end, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

As at 31st March 2021	Maturity Period						
	Up to 1 Month Rs.	1 to 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Contractual cash flows Rs.	Carrying amount Rs.
Assets/Liabilities							
Cash and cash equivalents	23,195,923	-	-	-	-	23,195,923	23,195,923
Placements with Banks and other financial institutions	10,086,301	45,758,185	65,813,938	-	-	121,658,424	119,229,696
Rental receivable on lease	31,442,886	15,370,588	7,017,691	130,938,103	-	184,769,268	155,459,039
Rental receivable on hire purchase	155,145	-	-	-	-	155,145	151,434
Advances and other loans	228,743,935	50,698,436	73,245,663	111,631,976	15,199,955	479,519,965	400,621,794
Financial Assets Measured at Fair Value Through Other comprehensive income	-	649,500	-	-	2,500	652,000	535,489
Other receivables	-	-	21,735,400	-	-	21,735,400	21,735,400
Total Financial Assets	293,624,190	112,476,709	167,812,692	242,570,079	15,202,455	831,686,125	720,928,776
Due to banks and financial institutions	3,128,745	-	-	-	-	3,128,745	3,128,745
Deposits due to customers	50,815,032	50,657,312	177,925,280	68,396,525	-	347,794,149	294,272,187
Other Payables	34,326,279	-	-	-	-	34,326,279	34,326,279
Lease Liability	1,450,150	2,919,799	12,118,248	16,368,815	-	32,857,012	28,746,608
Total Financial Liabilities	89,720,206	53,577,111	190,043,528	84,765,340	-	418,106,185	360,473,819





As at 31st March 2020	Maturity Period						
	Up to 1 Month Rs.	1 to 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Contractual cash flows Rs.	Carrying amount Rs.
<b>Assets/Liabilities</b>							
Cash and cash equivalents	6,356,430	-	-	-	-	6,356,430	6,356,430
Placements with Banks and other financial institutions	10,205,685	20,382,192	84,436,503	-	-	115,024,380	112,533,036
Rental receivable on lease	42,591,395	21,402,274	37,493,871	209,263,921	940,330	311,691,791	230,499,827
Rental receivable on hire purchase	178,016	-	-	-	-	178,016	178,016
Advances and other loans	300,510,303	110,053,542	94,368,180	191,857,020	21,699,955	718,489,000	631,057,886
Financial Assets Measured at Fair Value Through Other comprehensive income	-	1,515,833	54,000	627,000	2,500	2,199,333	2,084,089
Other receivables	-	-	21,735,400	-	-	21,735,400	21,735,400
<b>Total Financial Assets</b>	<b>359,841,829</b>	<b>153,353,841</b>	<b>238,087,954</b>	<b>401,747,941</b>	<b>22,642,785</b>	<b>1,175,674,350</b>	<b>1,004,444,684</b>
Due to banks and financial institutions	17,367,053	-	-	-	-	17,367,053	17,367,053
Deposits due to customers	104,887,439	133,922,999	195,237,644	136,354,525	-	570,402,607	510,706,106
Other Payables	40,678,619	-	-	-	-	40,678,619	40,678,619
Lease Liability	1,120,000	4,063,299	11,144,898	22,727,315	285,500	39,341,012	33,065,188
<b>Total Financial Liabilities</b>	<b>164,053,111</b>	<b>137,986,298</b>	<b>206,382,542</b>	<b>159,081,840</b>	<b>285,500</b>	<b>667,789,291</b>	<b>601,816,966</b>

#### 41. SEGMENTAL ANALYSIS

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified operating segments based on products and services. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on turnover.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2020 or 2021.

There were no transactions between reportable segments in 2020 or 2021.

As at 31st March	Lease & Hire Purchase		Loans		Pawning		Other		Total	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Income</b>										
Interest Income	29,217,801	56,177,439	30,238,594	66,344,504	44,476,014	62,966,263	6,974,255	9,226,660	110,906,664	194,714,866
Other Income	9,052,190	9,326,918	5,391,804	9,988,700	1,534,119	658,339	7,219,349	3,967,349	23,197,462	23,941,306
<b>Total Income</b>	<b>38,269,991</b>	<b>65,504,357</b>	<b>35,630,398</b>	<b>76,333,204</b>	<b>46,010,133</b>	<b>63,624,602</b>	<b>14,193,604</b>	<b>13,194,009</b>	<b>134,104,126</b>	<b>218,656,172</b>
Unallocated Expenses									(196,997,437)	(322,647,425)
Profit / (Loss) Before Tax									(62,893,311)	(103,991,253)
Income Tax									(19,706,223)	(37,744,537)
<b>Net Profit / (Loss) for the period</b>									<b>(82,599,534)</b>	<b>(141,735,790)</b>
Segment Assets	155,610,473	230,677,843	232,182,804	330,792,099	168,438,990	300,265,787	188,098,185	284,036,181	744,330,452	1,145,771,910
Unallocated Assets									125,812,839	48,950,306
<b>Total Assets</b>	<b>155,610,473</b>	<b>230,677,843</b>	<b>232,182,804</b>	<b>330,792,099</b>	<b>168,438,990</b>	<b>300,265,787</b>	<b>188,098,185</b>	<b>284,036,181</b>	<b>870,143,291</b>	<b>1,194,722,216</b>
Unallocated Liabilities									376,291,302	617,571,601
<b>Total Liabilities</b>									<b>376,291,302</b>	<b>617,571,601</b>

Figures in brackets indicate deductions.



## NOTES TO THE FINANCIAL STATEMENTS

### 42. NON-COMPLIANCE WITH CENTRAL BANK REQUIREMENTS

The Company has not complied with the following direction issued by the Central Bank of Sri Lanka:

#### 01. Minimum Core Capital Direction No 02 of 2017 issued on 23 February 2017

The Company's accumulated loss as at 31st March 2021, stands at Rs. 421,228,880 since the recorded profit in the FY 2014/2015, the Company incurred a loss for 6 consecutive years due to shortage of core capital and resultant restrictions imposed by CBSL owing to the same. Furthermore, losses during the year widened as a result of sluggish economic conditions prevailing during the year and the heavy impact escalated due to COVID 19 pandemic.

With reference to the core capital requirement, the Company has received an offer for consolidation/merger option under CBSL plan to consolidate non banking financial institutions and it is in the process of getting CBSL approval.

In reference to the non-compliance with the minimum core capital Direction No. 2 of 2017, the Monetary Board of the Central Bank of Sri Lanka has issued a cap of Rs. 1.3 Bn on Lending and Rs.600 Mn on Deposits with effect from 04th June 2019, and further they have directed to reduce the lending portfolio and deposit liability by Rs. 50 Mn and Rs. 25 Mn respectively per month with effect from November 2019 until the fulfillment of the core capital requirement. Nevertheless it is pertinent to mention that due to prudent management techniques and financial planning, the Company had maintained an excess liquidity position over & above the required liquidity ratio prescribed by the regulator.

Furthermore the Company had recorded a favourable operating cash flow position whilst maintaining zero external borrowing.

Considering the above, future visibility is clear in complying the CBSL requirement within the 2021/2022 FY and in accordance with the guidelines/timelines to meet the requirement.



# INVESTOR INFORMATION

## Top 20 Major Shareholders as at 31st March 2021

Serial No	Name	Ordinary Shares	%
1	HATTON NATIONAL BANK PLC/FAIRWAY HOLDINGS (PVT) LTD	41,110,075	64.63
2	ENTRUST HOLDINGS LIMITED	19,037,186	29.93
3	SANDWAVE LIMITED	680,100	1.07
4	ENTRUST LIMITED	186,000	0.29
5	LAUGFS GAS PLC	184,900	0.29
6	MR. MIGARA MUNASINGHE DISSANAYAKE	134,948	0.21
7	MISS. R. W. K. C. M. M. A. SAMADHIE FERDINANDO	132,948	0.21
8	PRIME LANDS (PVT) LTD	80,000	0.13
9	MR. WIJITHA NANDA ABEYSURIYA	76,081	0.12
10	FAIRWAY HOLDINGS PVT LTD	74,065	0.12
11	MR. LEKAM MUDIYANSELAGE AMITH NAMAL LEKAMGE	59,450	0.09
12	MRS. SAROJANI GUNASINGHE	50,996	0.08
13	BANSEI SECURITIES CAPITAL (PVT) LTD/L.N.D.SILVA	50,000	0.08
14	MR. CHANDRASIRI THILAK MALIDUWA PATHIRANA	50,000	0.08
15	MR. PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.07
16	MR. PALLEWATTHA GAMARALALAGE WIJAYANANDA SIRISENA	38,000	0.06
17	MR. KOSALA MUNASINGHE DISSANAYAKE	32,600	0.05
18	MERCHANT BANK OF SRI LANKA PLC/S M PATHIRANAGE	32,515	0.05
19	MR. MUNHENAGE SHANTHA SISIL CHANDRA	32,199	0.05
20	MRS. MENAKA PRIYADHARSHANI RAJAPAKSE	30,000	0.05
	Directors' Shareholding	20,575	0.03
	Other Shareholding	1,473,743	2.32
	<b>Total Shares</b>	<b>63,610,181</b>	<b>100.00</b>

## Public holding

The Company has opted to adopt option 02 under the section 7.13.1 of the amended Listing Rules which are effective from 17th January 2018.

As at 31.03.2021						
Option	Float adjusted market capitalization (Rs.Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	Rs. 0.16 Bn.	10%	35.22%	200	899

## Distribution of Shareholding as at 31st March 2021

Shareholding	Local			Foreign			Total		
	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%	Number of Shareholders	No of Shares	%
1 To 1,000 Shares	623	134,687	0.21	6	2,700	0.004	629	137,387	0.22
1,001 To 10,000 Shares	217	782,778	1.23	1	5,000	0.01	218	787,778	1.24
10,001 To 100,000 Shares	48	1,218,859	1.92	0	-	0.00	48	1,218,859	1.92
100,001 To 1,000,000 Shares	4	638,796	1.00	1	680,100	1.07	5	1,318,896	2.07
Over 1,000,000 Shares	2	60,147,261	94.56	0	-	0.00	2	60,147,261	94.56
<b>Total</b>	<b>894</b>	<b>62,922,381</b>	<b>98.92</b>	<b>8</b>	<b>687,800</b>	<b>1.08</b>	<b>902</b>	<b>63,610,181</b>	<b>100.00</b>

Category	No of Shareholders	No of Shares	%
Institutional	47	61,639,482	96.90
Individual	855	1,970,699	3.10
<b>Total</b>	<b>902</b>	<b>63,610,181</b>	<b>100.00</b>



## INVESTOR INFORMATION

### Top 20 Major Shareholders as at 31st March 2020

Serial No	Name	Ordinary Shares	%
1	HATTON NATIONAL BANK PLC/FAIRWAY HOLDINGS (PVT) LTD	41,110,075	64.63
2	ENTRUST HOLDINGS LIMITED	19,037,186	29.93
3	SANDWAVE LIMITED	703,868	1.11
4	ENTRUST LIMITED	186,000	0.29
5	LAUGFS GAS PLC	184,900	0.29
6	MR. MIGARA MUNASINGHE DISSANAYAKE	134,948	0.21
7	MISS. R. W. K. C. M. M. A. SAMADHIE FERDINANDO	132,948	0.21
8	SEYLAN BANK PLC/MS.PRIME LANDS (PVT) LTD	125,421	0.20
9	MR. WIJITHA NANDA ABEYSURIYA	76,081	0.12
10	FAIRWAY HOLDINGS PVT LTD	74,065	0.12
11	MR. PUWAKGAHA ALLE GEDARA WEERAKOON BANDA	60,677	0.10
12	MRS. SAROJANI GUNASINGHE	58,000	0.09
13	MERCHANT BANK OF SRI LANKA PLC/W.A.S.P.ABESIRIWARDANA	54,604	0.09
14	MR. CHANDRASIRI THILAK MALIDUWA PATHIRANA	50,000	0.08
15	MR. PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.07
16	MR. PALLEWATTHA GAMARALALAGE WIJAYANANDA SIRISENA	38,000	0.06
17	MR. KOSALA MUNASINGHE DISSANAYAKE	32,600	0.05
18	MERCHANT BANK OF SRI LANKA PLC/S M PATHIRANAGE	32,515	0.05
19	MRS. MENAKA PRIYADHARSHANI RAJAPAKSE	30,000	0.05
20	MR. KARAGODA LOKU GAMAGE UDAYANANDA	29,598	0.05
	Directors' Shareholding	34,966	0.05
	Other Shareholding	1,379,929	2.17
	<b>Total Shares</b>	<b>63,610,181</b>	<b>100.00</b>

### Public holding

The Company has opted to adopt option 02 under the section 7.13.1 of the amended Listing Rules which are effective from 17th January 2018.

As at 31.03.2020						
Option	Float adjusted market capitalization (Rs.Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	Rs. 0.19 Bn.	10%	35.20%	200	860

### DIRECTORS SHAREHOLDING

	Name	As at 31.03.2021 Ordinary Shares	As at 31.03.2020 Ordinary Shares
1	Mr. H.F.Imal Fonseka	Nil	Nil
2	Mr. P.Jayasundera (Director/CEO)	Nil	Nil
3	Mrs. C.J.Atapattu	20,575	20,575
4	Dr. Pasad Kulatunga	Nil	Nil
5	Mrs. Dulani Thanuja De Alwis	Nil	Nil
6	Mr. Indraraj Ratnasabapathy	Nil	Nil



# FIVE YEAR SUMMARY

Results	2020 / 2021	2019 / 2020	2018 / 2019	2017 / 2018	2016 / 2017
<b>Operating Results (Rs.)</b>					
Income	134,104,126	218,656,172	297,381,813	235,416,652	158,164,595
Interest income	110,906,664	194,714,866	271,332,009	204,173,082	131,092,044
Interest expenses	42,830,661	82,822,173	100,065,423	64,892,696	53,608,993
Net interest income	68,076,003	111,892,693	171,266,586	139,280,386	77,483,051
Other Operating Income	23,197,462	23,941,305	26,049,804	31,243,569	27,072,551
Net income from operations	91,273,465	135,833,999	197,316,390	170,523,956	104,555,602
Total operating expenses	147,392,444	212,561,984	224,719,570	152,623,764	123,655,658
Impairment (charge)/reversal for loans and other losses	(3,872,222)	(26,694,551)	(42,774,119)	(45,958,055)	(25,329,710)
Profit/(Loss) before taxation	(62,893,311)	(103,991,253)	(78,619,422)	(33,938,242)	(46,046,897)
Profit/(Loss) for the period	(82,599,534)	(141,735,790)	(63,108,591)	(16,950,585)	(40,188,537)
<b>Financial Position (Rs.)</b>					
<b>ASSETS</b>					
Cash and cash equivalents	23,195,923	6,356,430	41,943,205	94,163,856	639,038,484
Placements with Banks and other financial institutions	119,229,696	112,533,036	61,460,074	233,069,642	-
Rental receivable on Lease	155,459,039	230,499,827	398,694,138	333,913,312	108,185,847
Rental receivable on Hire Purchase	151,434	178,016	4,445,918	12,643,028	43,260,175
Advances and Other Loans	400,621,794	631,057,886	777,395,971	850,737,233	443,491,180
Other receivables	53,372,287	59,299,181	64,071,151	50,523,101	31,939,499
Repossessioned Stock	4,090,270	5,780,000	15,443,999	668,000	-
Income tax receivables	5,227,631	5,227,629	4,992,927	4,452,003	2,157,186
Fair Value through Profit or Loss Financial Assets	-	-	-	-	766,878
Financial Assets Measured at Fair Value Through Other Comprehensive Income / Financial Investments - Available for sale	535,489	2,084,089	8,103,623	8,071,749	10,733,062
Investment Property	68,333,000	66,785,500	16,142,750	-	-
Property, plant & equipment	11,999,774	21,544,464	31,827,815	12,426,351	7,900,371
Right of use Assets	27,402,094	32,326,744	-	-	-
Intangible assets	524,860	1,501,783	2,606,397	1,417,849	669,584
Deferred Tax Asset	-	19,547,631	57,442,409	31,748,786	13,391,037
<b>TOTAL ASSETS</b>	<b>870,143,291</b>	<b>1,194,722,216</b>	<b>1,484,570,377</b>	<b>1,633,834,910</b>	<b>1,301,533,302</b>
<b>LIABILITIES</b>					
Due to banks and financial institutions	3,128,745	17,367,053	48,509,429	75,126,583	43,175,437
Deposits due to customers	294,272,187	510,706,106	660,625,887	649,996,600	368,412,116
Other borrowing	-	-	-	-	17,455,656
Other payables	41,641,352	49,697,199	52,058,157	97,768,754	43,794,412
Lease Liability	28,746,608	33,065,188	-	-	-
Retirement benefit obligation	8,502,410	6,736,055	4,891,980	5,137,175	4,275,264
<b>TOTAL LIABILITIES</b>	<b>376,291,302</b>	<b>617,571,601</b>	<b>766,085,453</b>	<b>828,029,112</b>	<b>477,112,885</b>
<b>EQUITY</b>					
Stated capital	898,375,289	898,375,289	898,375,289	898,375,289	898,375,289
Statutory Reserve Fund	5,389,222	5,389,222	5,389,222	5,389,222	5,389,222
General Reserve	11,266,050	11,266,050	11,266,050	11,266,050	11,266,050
Fair Value Reserve/Available for sales Reserve	50,308	247,199	232,052	280,939	2,014,937
Retained Earnings / (Accumulated Losses)	(421,228,880)	(338,127,145)	(196,777,689)	(109,505,702)	(92,625,081)
<b>TOTAL EQUITY</b>	<b>493,851,989</b>	<b>577,150,615</b>	<b>718,484,924</b>	<b>805,805,798</b>	<b>824,420,417</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>870,143,291</b>	<b>1,194,722,216</b>	<b>1,484,570,377</b>	<b>1,633,834,910</b>	<b>1,301,533,302</b>
<b>Financial Indicators</b>					
Return on Average Assets (after tax) (%)	(8.00)	(10.58)	(4.05)	(1.15)	(3.44)
Return on Average Shareholders' Funds (%)	(15.42)	(21.88)	(8.28)	(2.08)	(7.07)
Debt : Equity Ratio (Times)	-	0.03	0.06	0.02	0.07
<b>Investor information (Rs.)</b>					
Earnings/(Loss) per Share	(1.30)	(2.23)	(0.99)	(0.27)	(1.51)
Net Assets Value Per Share	7.76	9.07	11.30	12.67	12.96
Dividend per Share	Nil	Nil	Nil	Nil	Nil
Highest Market Value per Share recorded during the Financial Year	13.60	19.90	21.00	17.20	20.90
Lowest Market Value per Share recorded during the Financial Year	6.10	8.50	9.20	11.00	10.90
Closing Market Value per Share at the end of Financial Year	7.00	8.60	17.30	13.80	13.80



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multi Finance PLC will be held on 29th September 2021 at 2.30 pm at the Boardroom of Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya via Zoom Audio / Video – (Virtual AGM) for the following purposes:

## Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the company for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. Election of Directors in terms of Article 94 of the Articles of Association subsequent to the last Annual General Meeting.
  - (i) Mr.Indraraj Rathnasabapathy
  - (ii) Mr. J. Prasad Polwatte
3. To re-elect Mrs. Dulani Thanuja de Alwis who retires by rotation in terms of Article 87 of the Article of Association of the Company and being eligible offers herself for re-election as a Director
4. To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors to the Company and to authorize the Directors to determine their remuneration.
5. To authorise Directors to determine contribution to Charities.
6. To consider any other business of which due notice has been given.

**By Order of the Board**

**Business Intelligence (Private) Limited**

**Company Secretaries**

**Colombo**

27th August 2021

## Notes

1. A member entitled to participate and vote at the above meeting is required to complete and submit a pre-registration form in order to ensure participation at the AGM of the Company.
2. Only members of MFPLC are entitled to take part at the AGM of MFPLC.
3. A Pre-registration form is enclosed for this purpose to be completed by MFPLC Shareholders only.
4. A member entitled to participate and vote at the above meeting is entitled to appoint a proxy to participate and vote in his/her behalf. A proxy who should be above 18 years of age need not to be a member of the Company.
5. A form of proxy is enclosed for this purpose.
6. The instruments for registration and appointing a proxy must be completed and deposited at the Registered Office of the Company, Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya, or e-mailed to asirini@msl.lk not less than forty seven (47) hours prior to the time appointed for holding the meeting.

# FORM OF PROXY

I/we the undersigned .....bearing  
NIC no..... of .....  
..... being a member / members of  
Multi Finance PLC, hereby appoint

- Full name of proxy - .....
- NIC/Member - .....
- Address of Proxy - .....
- Contact Numbers - Land ....., Mobile .....
- Email address .....

or failing him/ her

Mr. Imal Fonseka	or failing him
Mr. Pushpike Jayasundera	or failing him
Ms. Champika Atapattu	or failing her
Ms. D.Thanuja de Alwis	or failing her
Mr. I. Ratnasabapathy	or failing him
Mr. J. Prasad Polwatte	or failing him

as my/our proxy to represent me/us and \*vote for me/us on my/our behalf as indicated below at the Annual General Meeting of the Company to be held on 29th September 2021 at 2.30 pm at the Boardroom of Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya and at any adjournment thereof, and at every poll which may be taken in consequence, thereof.

- |  |                          |                          |
|--|--------------------------|--------------------------|
| 1) Receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2021 and the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) Election of Mr. Indraraj Ratnasabapathy   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Election of Mr. J. Prasad Polwatte.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) Re-elect Mrs. Dulani Thanuja de Alwis   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Re-appointment of the Auditors KPMG and to authorize the Board of Directors to determine their remuneration.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) To authorize Directors to determine contribution to Charities.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) To consider any other business of which due notice has been given.  | <input type="checkbox"/> | <input type="checkbox"/> |

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

.....  
Signature of Shareholder

## Notes:

\* Please indicate your NIC/Member No. in the space provided on the top right corner.

\*\*Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in his discretion will vote as he thinks fit.





## FORM OF PROXY

### Instructions for completion of Proxy

1. In order to appoint a proxy, this form shall in the case of an individual be signed by the shareholder or by his/her Attorney and in the case of a company/corporation, the form of proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
2. The full name, NIC No. and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the form of proxy.
3. The duly completed form of proxy must be deposited at the Registered Office of the Company at "Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya or e-mailed to [asirini@msl.lk](mailto:asirini@msl.lk) not later than forty seven (47) hours prior to the time appointed for holding the meeting.
4. In the case of a proxy signed by an Attorney, the relevant Power-of-Attorney or a certified copy thereof should also accompany the completed form of proxy and must be deposited at the Registered Office of the Company or emailed as above noted.
5. This Form of Proxy is made available on the company's official website (<https://www.multifinance.lk>) and on the Colombo Stock Exchange (CSE) website (<https://www.cse.lk>).









# CORPORATE INFORMATION

## Name of Company

Multi Finance PLC

## Legal Form

Incorporated as a public limited liability company on 14th October 1974 under the Companies Ordinance No.51 of 1938, and the Company was re-registered under the Companies Act No.07 of 2007 on 26th February 2009. The Ordinary Shares of the Company were listed on the 'Diri Savi' Board of the Colombo Stock Exchange on 13th July 2011.

## Company Registration Number

PB 891 PQ

## Licenses to Operate

Multi Finance PLC is a finance company registered by the Monetary Board of the Central Bank of Sri Lanka in terms of Finance Business Act No.42 of 2011 and a registered leasing establishment under Section 5 of the Finance Leasing Act No.56 of 2000. It is also an Approved Credit Agency under the Mortgage Act No.06 of 1949 and the Trust Receipts Ordinance No.12 of 1947.

## Accounting Year-end

31st March 2021

## Board of Directors

Mr. Imal Fonseka	– Independent, Non-Executive Director w.e.f. 01.01.2021
Mr. Indraraj Ratnasabapathy	– Independent, Non-Executive Director (Appointed w.e.f. 22.12.2020)
Mr. J. Prasad Polwatte	– Independent, Non-Executive Director (Appointed w.e.f. 28.06.2021)
Mr. Senaka De Saram	– Independent, Non-Executive Director (Resigned w.e.f. 23.12.2020)
Mr. P. Jayasundera	– CEO/ Non-Independent, Executive Director
Ms. C.J. Atapattu	– Non-Independent, Executive Director
Ms. D.T.de Alwis	– Non-Independent, Non-Executive Director
Dr. P.B. Kulatunga	– Non-Independent, Non-Executive Director (Expired on 16.05.2021)

## External Auditors

M/s. KPMG, Chartered Accountants

## Internal Auditors

M/s. PricewaterhouseCoopers, Chartered Accountants

## Bankers

- Commercial Bank of Ceylon PLC
- People's Bank
- Seylan Bank PLC
- Pan Asia Banking Corporation PLC
- Bank of Ceylon
- Hatton National Bank PLC

## Company Secretary

M/s Business Intelligence (Private) Limited

## Registered Office

"The Fairways",  
No.100,  
Buthgamuwa Road,  
Rajagiriya  
Tel : +94-11-4645555  
Fax : +94-11-4645564

## Business Office

"The Fairways",  
No.100,  
Buthgamuwa Road,  
Rajagiriya  
Tel : +94-11-4645555  
Fax : +94-11-4645564  
E-mail : info@multifinance.lk  
Website : www.multifinance.lk



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MULTI  
FINANCE

**Multi Finance PLC**

No.100, Buthgamuwa Road, Rajagiriya