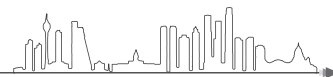




MULTI
FINANCE

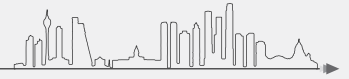
**TOWARDS
A BETTER
FUTURE**

**ANNUAL REPORT
2021/22**



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VISION

To be the first choice for financial solutions.

MISSION

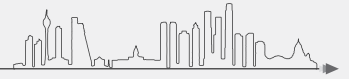
- To enhance shareholder value through financial stability and growth.
- To satisfy our valued customers by providing innovative solutions to their financial needs.
- To train, develop and empower employees to give their best.
- To achieve highest operational efficiency through advanced technology.
- 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 March 2022, LB Finance PLC, a registered finance company 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 seven (47) 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 47 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.

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.

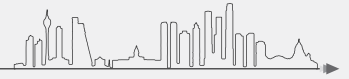
Muthuhara Savings Accounts

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.

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.

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.

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.

PERSONAL LOANS

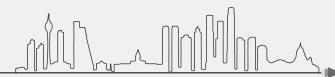


Our passion is in supporting our clients to each meet their own unique aspirations. Our personal loan facilities are designed to provide clients with utmost flexibility and convenience when pursuing their goals by ensuring efficient access to capital to meet any requirement.

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.

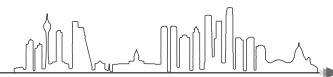


FINANCIAL HIGHLIGHTS

Results	2021 / 2022	2020 / 2021	Change %
Operating Results (Rs.)			
Income	120,357,181	134,104,126	(10.25)
Net Interest Income	86,253,312	83,759,817	2.98
Total Operating Income	95,156,524	91,273,465	4.25
Net Operating Income/(Loss)	(60,511,457)	87,401,243	(169.23)
Net Profit/(Loss) after Tax	(199,503,347)	(82,599,534)	141.53
Financial Position (Rs.)			
Total Assets	617,525,680	870,143,291	(29.03)
Interest Earning Assets	473,377,949	700,533,917	(32.43)
Lending Portfolio	336,863,221	569,532,147	(40.85)
Share Holders' Funds	298,810,924	493,851,989	(39.49)
Public Deposits	253,824,754	294,272,187	(13.74)
Borrowings	3,208,335	3,128,745	2.54
Investor information (Rs.)			
Earnings/(Loss) per Share	(3.14)	(1.30)	141.53
Net Assets Value Per Share	4.70	7.76	(39.49)
Dividend per Share	Nil	Nil	-
Financial Indicators			
Return on Average Assets (after tax) (%)	(26.82)	(8.00)	235.24
Return on Average Shareholders' Funds (%)	(50.34)	(15.42)	226.34
Debt : Equity Ratio (Times)	0.01	0.01	-

Statutory Ratios (%) / Requirements		
	Minimum Requirement	Actual
Tier 1 Capital Adequacy Ratio	7.00%	67.61%
Total Capital Adequacy Ratio	11.00%	67.61%
Liquid Assets	10.09%	45.55%

Market Value per Share	Rs.
Highest value recorded during the Financial Year	35.00
Lowest value recorded during the Financial Year	5.50
Closing value at the end of Financial Year	12.10



CHAIRMAN'S STATEMENT

Dear Stakeholder,

It gives me a great pleasure to present you the annual report for the financial year 2021/22 and the financial statements contained herein. I am heartened to note that your Company remained resilient during the period under review, and continued to adopt prudent, far-sighted strategies to ensure our continuity in the years ahead, as illustrated in my review, and in the pages that follow.

A Challenging Environment

The year under review saw your Company face challenges on many fronts, particularly with respect to the COVID-19 pandemic and the associated macro-economic conditions that prevailed throughout the year.

As in the past year, in lieu of curbing the negative impacts of the pandemic on individuals and businesses, the Central Bank of Sri Lanka continued in its stance of extending the moratoriums on debts owed to financial institutions. This measure, coupled with the political and economic crisis experienced towards the latter part of the year led to dwindled consumer sentiment and reduced income streams, thereby leading to a drastic reduction in interest income, while increasing the risk of non-performing loans across the board.

The lockdowns and mobility restrictions continued to impede operations; however, your Company and its staff continued to exhibit admirable qualities of agility and responsiveness, in order to deliver results to our valued stakeholders throughout the year.

The Company faced challenges in terms of complying with the minimum core capital Direction No. 2 of 2017, which further restricted operations to a certain degree. However, the Company's leadership took concrete steps during the period under review to ensure the Company would be on a firmer footing in the coming years, as detailed below in this report.

Strengthening our Position

In consideration of the above-mentioned challenges, and in order to solidify Multi Finance PLC's financial position, the Company's leadership made a conscious decision to comply with the Central Bank's masterplan for the consolidation of the financial sector, and actively pursued opportunities for amalgamation during the greater part of the year.

Following discussions with several interested parties and pursuant to the performance of necessary due diligence, the Company's Board and Management opted for the most viable option to ensure sustainable long-term growth. Thereby, the acquisition of Multi Finance PLC by L B Finance PLC was completed on 16th March 2022, towards the end of the financial year, despite considerable delays experienced due to pandemic-induced mobility restrictions. Accordingly, L B Finance PLC acquired 41,110,075 ordinary shares, comprising 64.63% of the Company's total shares. Following the acquisition, your Company is in the process of ensuring compliance with the core capital requirement imposed by the Central Bank of Sri Lanka.

A Subdued Performance

The dynamics outlined above continued to negatively impact top-line and bottom-line performance, as described by the results in this report.

However, it is heartening to note that prudent management and planning ensured the Company maintained a liquidity position that far surpassed the recommended ratio prescribed by the regulator. The company was successful in recording significant milestones in recovery collections, and following the acquisition by L B Finance PLC towards the end of the year, remains poised and structured to deliver greater stability in the near future.

Outlook

As the nation continues to face the prospect of socio-economic and political turbulence, many industries including the finance sector will undoubtedly need to brace themselves for further challenges in the ensuing period. However, strengthened by the recent acquisition, Multi Finance PLC is confident that the expertise, guidance and strength of our new Group and Parent Company will forge a path designed to help us unerringly navigate the uncertain times ahead. We are certain that as one of the industry's foremost players, L B Finance PLC will infuse unmatched insights, stability and value into the business going forward, and ensure a positive transformation is achieved.

As an entity built on trust, consumer-centricity and good governance, we will continue to identify and pursue avenues for growth, while seeking out lucrative markets and emerging trends to overcome the challenges of the future and deliver strong results in the years to come.



Acknowledgements

In closing, I would like to express my gratitude towards my fellow Board of Directors for their invaluable guidance and assistance in this transformative period in the Company's history. I would also like to extend my sincere appreciation to the staff members for their dedication and continued efforts to uphold the Company's values, even in the face of the seemingly insurmountable challenges experienced during the year. As we embark on a journey with renewed purpose, it is your commitment and drive that will propel us into a future filled with promise.

I would also like to express my 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 guidance and support during this transitional period.

I further place my sincere appreciation to my colleagues of the Board and Management of L B Finance PLC. I thank you all on behalf of Multi Finance PLC for placing trust in our organization and its future endeavours and look forward to many years of fruitful partnership to exceptional value creation.

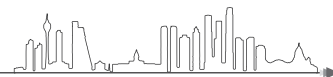
Thank you.

A handwritten signature in black ink. The signature is stylized, starting with a large 'P' and ending with a long, sweeping horizontal line that extends to the right.

Mr. G.A.R.D. Prasanna

Chairman

29th June 2022



CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Stakeholder,

As we look back on the past year, it gives me great pleasure to present to you Multi Finance PLC's annual report for the financial year 2021/22, and to provide an account of the company's activities during the period under review.

A Constricted Environment

Your Company faced myriad challenges, exacerbated by the COVID-19 pandemic, its associated trends, and certain macro-economic policies, all of which led to a limited growth environment for the finance sector during the year. The greatest impact to the sector was primarily felt through the pandemic and the resultant moratoriums offered as per the guidelines of the Central Bank, with the objective of minimising the burden on debtors. Furthermore, the impact on consumer income streams, and subdued economic activities too negatively affected loan recovery during the year.

The Company faced further challenges due to continued under-capitalisation, thereby failing to comply with the minimum core capital Direction No. 2 of 2017. As a result, the company had to find a solution in line with the Central Bank of Sri Lanka's consolidation 'Master Plan for the financial sector'. It is worth noting that as a result of the aforementioned factors company's operations were severely hampered as caps on both lending and deposits with effect from 04th June 2019 were imposed with further directions to continuously reduce the lending portfolio and deposit liability with effect from November 2019, until such period as the core capital requirement could be fulfilled. Consequently, the regulatory ceiling on deposit and loan advances was revised, increasing to reach Rs. 1.25 Bn and Rs. 1.5 Bn respectively. Multi Finance PLC made considerable inroads in terms of addressing this concern during the period concerned, as outlined below.

A Strategic, Farsighted Mindset

In response to the above-mentioned operating context, Multi Finance PLC undertook the task of seeking out viable opportunities for consolidation, as per the Central Bank's masterplan for the financial sector. Following in-depth discussions with key industry players throughout the year, in

September 2021, the Company commenced the process of acquisition under L B Finance PLC, one of Sri Lanka's leading finance institutions, whose parent company is Vallibel One PLC. In doing so, the Company and its leadership were successful in maintaining the organisation's stability, while ensuring its progress and a renewed vision in the years ahead.

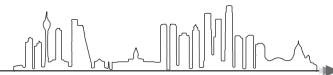
Prior to the acquisition, in line with the Central Bank's restrictions and its subsequent impact on operations, the Company limited its resource and staff utilisation. Particularly during the COVID-19 pandemic, the Company ensured that all staff members' health and safety was prioritised, by encouraging employees to report to work on a roster basis, while providing 'Work-from-Home' facilities to ensure business continuity. All necessary precautions were taken to minimise the risk of infection, with government-mandated health guidelines followed at every level, and recoveries conducted online to ensure minimum direct contact with customers was maintained. In terms of customer safety, Multi Finance PLC remained flexible and adaptable, offering online and banking channels to facilitate a range of services.

Company Performance

In view of the above trends, the Company's income declined by approximately 11% to reach Rs. 120.3 Mn. Due to the company's alignment with policy adjustments that took place during the year, an impairment of Rs. 155.7 Mn was incurred, thereby negatively impacting the Company's bottom-line.

On a positive note, despite the challenges mentioned above, the Company was successful in maintaining its liquidity at exceptional levels during the year, recording a liquidity ratio of 46% and a capital adequacy ratio of 68% well above industry standards.

The company further successfully recorded commendable results in terms of recoveries, despite the turbulent backdrop witnessed during the year. In accordance with the performance detailed above, the Company recorded a loss of Rs. 199.5 Mn, a 142% decline against the previous year.

**Focused on the Future**

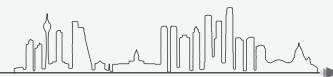
With L B Finance PLC as the Company's major shareholders, Multi Finance PLC has now embarked on a purposeful journey to create greater stakeholder value. We are working on revamping the Company's current structure, and aligning our staff with the renewed vision, values, and strategies, while deploying the necessary resources to pursue new avenues of growth and progress. We will aggressively focus on secure lending facilities such as leasing and gold loan solutions, while continuing to strive towards achieving our targets even amid challenging economic conditions. We are built on a strong foundation and are ready for the next stage of what promises to be an exciting journey full of promise.

Thank you.

Mr. Pushpike Jayasundara

Chief Executive Officer

29th June 2022



THE BOARD OF DIRECTORS

Mr. G A R D Prasanna

Chairman / Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

Mr. G A R D Prasanna has wide experience in various business management strategies and a business leader in manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has couple of years of experience in managing businesses and extensive governance experience gained through leadership of the Boards of quoted and unquoted companies.

Current appointments

Chairman/Non-Independent Non-Executive Director of L B Finance PLC, Independent Non-Executive Director of Royal Ceramics Lanka PLC, Director of Rocell Bathware Limited, Director of Rocell Ceramics Distributors (Private) Limited, Director of Rocell Properties Limited, Director of Country Energy (Private) Limited, Director of Wise Property Solutions (Pvt) Ltd, Director of La Forteresse (Private) Limited, Director of Delmege Forsyth & Co. (Exports) (Pvt) Ltd, Director of Delmege Coir (Pvt) Ltd, Director of Delmege Forsyth & Co. (Shipping) Ltd, Director of Lewis Shipping (Pvt) Ltd, Director of Delmege Air Services (Pvt) Ltd, Director of Delmege Aviation Services (Pvt) Ltd, Director of Delmege Aero Services (Private) Limited, Director of Delmege Insurance Brokers (Pvt) Limited, Director of Delmege Airline Services (Private) Limited, Director of Grandmark (Pvt) Ltd and Alternate Director of Lanka Tiles PLC.

Former appointments

Director of Lanka Ceramics PLC, Managing Director of Tekro Holdings (Pvt) Ltd, Director of Delmege Forsyth & Co. Ltd, Director of Delship Services (Pvt) Ltd, Director of Hayley's Global Beverages (Pvt) Ltd and Director of Lewis Brown Air Services (Pvt) Ltd.

Mr. Niroshan Udage

Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

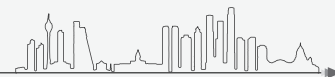
He holds Bachelor's Degree in Science from the University of Colombo and possesses 31 years of experience in the field of leasing and finance, including 10 years at Lanka Orix Leasing Company PLC and 03 years at Mercantile Investments Limited prior to joining L B Finance PLC in 2004. He has undergone extensive training in Strategy and Management in Banking conducted by Intentional Development Ireland Ltd in Dublin and London and also successfully completed High Potentials Leadership Program at Harvard Business School in Boston, MA, USA in 2012.

Current appointments

Deputy Managing Director of L B Finance PLC, Director of L B Microfinance Myanmar Company Limited, Council Member of the Finance Houses Association of Sri Lanka (FHA), Director of Credit Information Bureau of Sri Lanka (CRIB).

Former appointments

Director of Hayleys Fibre PLC, Chairman of the Finance Houses Association of Sri Lanka (FHA), Member of the Financial System Stability Consultative Committee established by the Central Bank of Sri Lanka.



Mr. B D A Perera

Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

He is an Associate Member of the Chartered Institute of Management Accountants ACMA, CGMA (UK) and holds a BSc (Business Administration) Special Degree from the University of Sri Jayewardenapura, successfully completed High Potentials Leadership Program in 2012 at Harvard Business School in Boston, MA, USA. Counts over 24 years of experience in the leasing industry that includes positions at Commercial Leasing Company Limited, Lanka Orix Leasing Company PLC and a Merchant Bank in Bangladesh.

Current appointments

Executive Director of L B Finance PLC, Director of L B Microfinance Myanmar Company Limited, Director of Pan Asia Banking Corporation PLC.

Former appointments

Director of Hayleys Fibre PLC.

Mr. Ravindra Yatawara

Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

He Holds a BSc. Degree in Business Administration from the Oklahoma State University, USA. Counts over 26 years' experience in the Finance Industry, including both Managerial and Senior Managerial positions in the LOLC Group, Hatton National Bank PLC and AMW Capital Leasing PLC.

Current appointments

Executive Director of L B Finance PLC, Director of L B Microfinance Myanmar Company Limited.

Former appointments

General Manager of L B Finance PLC, Chairman of The Finance Houses Association of Sri Lanka (FHA). Vice Chairman of the Leasing Association of Sri Lanka (LASL).

Mr. Ashane Jayasekara

Independent, Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

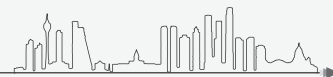
He is the Deputy Managing Partner of BDO in Sri Lanka & the Managing Partner for BDO in the Maldives. He heads the Risk, Cyber Security and the Fraud & Forensic Service Practice in the firm. As the IT Director he oversees the IS security strategy and privacy function in the Firm. He has over 18 years of experience in overseeing corporate governance reviews, risk assessments and compliance audits in private, publicly listed, multinational and government enterprises across a range of sectors. He has also managed fraud & forensic investigations and has prepared Forensic Audit reports for cases ranging from arbitration hearings to High Court cases. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants (UK) and the British Computer Society (UK). He holds a Bachelor of Science Degree in Information Systems from the London Metropolitan University and a Master Degree in Business Administration from the University of Southern Queensland. He also Holds a LLM from Cardiff Metropolitan University. He is a Certified Internal Auditor, Certified Fraud Examiner, a Certified Information Systems Auditor and a Computer Hacking Forensic Investigator - USA. At CA Sri Lanka he currently serves as a Member of the Governing Council and Chairman of the Board of Management of the School of Accounting & Business. He is a visiting faculty member at leading state and private sector universities and has played a pioneering role in the introduction and delivery of Fraud & Forensic Accounting as a subject in undergraduate and postgraduate programs in Sri Lanka.

Current appointments

Director – BDO Partners (Pvt) Ltd, Chairman Integrated Reporting Council of Sri Lanka, Member of the Governing Council - Institute of Chartered Accountants of Sri Lanka, Member of the Governing Council/ Chairman Audit Committee - Open University of Sri Lanka, Member - Digital Forensics Advisory Board of the EC Council – USA, Director - Information Systems Audit and Control Association (USA) Sri Lanka, Independent Non-Executive Director (Senior Director) of L B Finance PLC.

Former appointments

Director of B T Communications Lanka (Pvt) Ltd., Director of BDO BPO Services (Pvt) Ltd, Chairman of the Information Technology Faculty of the Institute of Chartered Accountants of Sri Lanka, President/ Governor of Sri Lanka Chapter of the Institute of Internal Auditors (USA).



THE BOARD OF DIRECTORS

Mrs. Yogadinusha Bhaskaran

Non-Executive Director

Appointed to the Board

On 21st July 2022

Skills, experience

She is a Fellow member of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and Fellow Member of the Institute of Bankers, Sri Lanka.

Current appointments

Non-Executive Director of L B Finance PLC, Chief Executive Officer of Vallibel One PLC. Director of Vallibel Power Erathna PLC and Alternate Director to Mr. Dhammika Perera on the Boards of Dipped Products PLC, Hayleys Fabric PLC and Haycarb PLC. Director of Delmege Limited, Country Energy (Private) Limited and Vacashe Fintech (Private) Limited. Chairperson of LB Finance Audit Committee.

Former appointments

Assistant General Manager (Finance & Planning) of Pan Asia Banking Corporation PLC, Financial Controller of several Australian companies in Melbourne.

Mrs. Ashwini Natesan

Independent Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

She is a qualified legal practitioner from India, specialising in Technology, Media and Telecommunications (TMT) Law. She consults on TMT Law issues including those concerning financial technology (FinTech). She also works on research projects relating to data protection, privacy, right to information, alternative dispute resolution mechanisms, etc. She frequently participates in national and international forums to speak on broader TMT law issues. In India, she has previously worked in litigation and corporate law offices including with Senior Counsel Mr. P. Wilson, former Additional Solicitor General of India and former Additional Advocate General of Tamil Nadu.

She holds an LL.M (Master of Laws) in International Business Law from Faculty of Law, National University of Singapore where she graduated in the top five of her class. She has a Bachelor of Arts and Law (B.A. LL.B (Hons.), Distinction) from the School of Excellence in Law, Tamil Nadu Dr. Ambedkar Law University, Chennai, India. Additionally, she has diplomas in International Business Management (offered by Loyola Institute of Business Administration, India) and Commercial Arbitration (offered by ICLP, Sri Lanka).

Current appointments

Independent Non-Executive Director of L B Finance PLC.

Former appointments

None.



Mr. Dharmadasa Rangalle

Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

He is a retired Senior Commissioner of the Department of Inland Revenue (Special Grade). He has over 34 years of experience in the Government (Public) Sector, including 31 years of experience of Tax Administration as an Assessor, a Deputy Commissioner, a Commissioner, and a Senior Commissioner. He obtained the Master of Commerce (M. Com) Degree from the University of Kelaniya, the Bachelor of Commerce (B. Com) Special Degree- Second Class Upper Division (Honours) from the University of Kelaniya. He has completed all course work relating to the Doctoral Degree Programmer at the Open University of Malaysia. He is also a fellow member of the Sri Lanka Institute of Taxation, Sri Lanka. He was a visiting Lecturer at the University of Kelaniya, Malambe Campus (SLIIT), Business School of Institute of Chartered Accountants of Sri Lanka, and the Sri Lanka Institute of Taxation-Sri Lanka.

Current appointments

Mr. Rangalle serves as a Non-Executive Director of Fentons Limited, Hayleys Aventura (Pvt.) Ltd., and Hayleys Advantis Limited, which are subsidiaries of Hayleys PLC, and DHS Holdings (Pvt) Ltd, He is also a member of the Executive Council - Sri Lanka Institute of Taxation and Non-Executive Director of L B Finance PLC.

Former appointments

Senior Commissioner of the Department of Inland Revenue (Special Grade).

Ms. Yanika Amarasekera

Independent Non-Executive Director

Appointed to the Board

On 18th May 2022

Skills, experience

She is an alumni of the prestigious UC Berkeley from where she obtained two Bachelor of Arts degrees in Political Economy and Media Studies with an emphasis on Digital Marketing. She completed her MSc in Entrepreneurship, Innovation, and Management in Imperial College, London. She founded the country's first online wedding gift registry, Silver Aisle, which has since evolved into a multidimensional E-commerce gifting site and is now considered the premier platform of choice.

Current appointments

Independent Non-Executive Director of L B Finance PLC.

Former appointments

None.



MANAGEMENT DISCUSSION & ANALYSIS

The Global Economy

Despite the continued impacts of the COVID-19 pandemic being felt across the world, the global economy recorded a robust growth in the year 2021 to achieve a 5.8% expansion in GDP. This marked the highest growth rate in over four decades, primarily led by a strong growth in advanced economies, coupled with relatively restrained activity in witnessed in emerging economies. Overall, an improvement in consumer spending, investments and trading surpassing pre-pandemic conditions was experienced.

Positive developments notwithstanding, certain underlying macroeconomic factors continued to restrain and impede global growth. Supply chain disruptions induced by the COVID-19 pandemic continued to hamper global activities, while increased commodity prices were yet another cause for concern, particularly during the second half of 2021. Against this backdrop, inflation has become a key concern across many parts of the globe, even impacting some advanced economies such as the United States and certain European nations, whose inflation in 2021 rose to the highest levels seen in the past four decades alone.

The above-mentioned dynamics were further exacerbated by the onset of the Russian invasion of Ukraine in February of 2022, which served to tighten global financial conditions to a significant extent. The supply shortages that are expected to arise from the conflict in the future will undoubtedly heighten existing pressures, resulting in a further rise in commodities, particularly with respect to energy, agricultural produce and metals, which could cause a negative ripple effect across societies in terms of socio-economic conditions, and lead to social unrest.

In consideration of the impacts posed to the economy in this regard, the International Monetary Fund (IMF) projects the global economy to display a subdued growth of 3.6% in the year 2022, as reported in the World Economic Outlook.

The Sri Lankan Economy

The Sri Lankan economy too, registered similar trends in comparison to the global economy, registering growth and increased economic activity despite the ongoing impacts of the COVID-19 pandemic. Sri Lanka's Gross Domestic Product (GDP) witnessed an expansion of 3.7% against the previous year, reaching Rs. 9,881.4 Bn, in contrast to the contraction of 3.6% recorded in 2020.

The Central Bank introduced an accommodative monetary policy stance in 2020 to curtail the negative socio-economic impacts of the pandemic, by providing a suitable degree of liquidity to the domestic market. This approach resulted in market interest rates declining to a historical low, in order to support the funding requirements of both the Government and the private sector, and thereby enabling recovery from pandemic-induced impacts. As a result, the credit extended to these sectors grew within the first two quarters of the fiscal year.

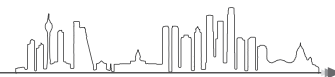
In mid-August 2021, this policy stance was reversed, with the aim of curbing the build-up of inflationary pressures that took place over the medium-term, while addressing any external sector imbalances. As a result, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were raised by 50 basis points to reach 5% and 6% respectively.

Towards the end of 2021, the maximum interest rate placed on foreign currency deposits of licensed commercial banks (LCBs) was eliminated, while the maximum interest rates of domestic lending products were increased.

In January and March 2022, subsequent regulatory measures were adopted, in view of the pressures faced from double-digit inflation and challenges from the external sector. The SDFR and SLFR were raised by 150 basis points each. Foreign loan repayments by the State via gross official reserves and increased currency circulation led to reduced liquidity levels in the local money market.

Headline inflation accelerated in 2021, primarily due to global and domestic supply chain disruptions, in addition to the surge in pricing of global commodities and their administered prices. In addition, core inflation grew due to a response lag experienced with respect to monetary accommodation.

As such, year-on-year headline inflation as measured by the Colombo Consumers' Price Index was recorded at 12.1% as at the end of 2021, compared to the 4.2% inflation witnessed in the previous year. The National Consumers' Price Index marked headline inflation at 14.0% as at the end of the year 2021, in contrast to the 4.6% witnessed in 2020. The first quarter of 2022 saw the CCPI accelerate to 18.7% while the NCPI grew to reach 21.5%.



Industry Performance

The resumption of economic activities following the COVID-19 pandemic and the subsequent adoption of practices related to the new normal, an environment conducive to the financial sector was created, particularly with respect to the expansion of private sector credit, and increased movement of public savings. Furthermore, the low interest rate environment continued from the previous year into the first half of 2021, enabling improved performance for the NBFi sector. Licensed finance companies and specialised leasing companies displayed a notable improvement in credit growth and profitability in view of the Central Bank's Financial Sector Consolidation Masterplan.

The NBFi asset base increased by 6.1% during 2021 to reach Rs. 1,487.7 Bn, in comparison to the 2.2% contraction witnessed in 2020. The sector reported an overall profit-after-tax of Rs. 55.6 Bn against the previous year's Rs. 13.7 Bn, recording an increase of approximately 306% year-on-year. Credit risk reduced to a certain degree due to the resumption of economic activity, as the sector's total gross Non-Performing Loans reduced by 13.9% by the end of 2021, against the previous year's increase of 26.2%. Furthermore, the sector's liquidity remained above the stipulated regulatory requirements of Rs. 89.9 Bn, with the overall available liquid assets standing at Rs. 155.9 Bn as at December 2021.

Company Performance

Due to the reemergence of COVID-19 at the commencement of the year the combined impact of the moratoriums imposed by the Central Bank, the ban on vehicle imports and the overall negative impact of the pandemic on consumer spending, led the Company's interest income to face a decline of 12% during the year to reach Rs. 111.5 Mn. The Company's bottom-line was further impacted by an increased rate of impairment that took place during the period under review.

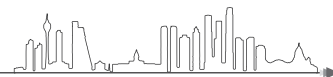
Commendably, Multi Finance recorded exceptionally robust recovery levels, and continued to retain liquidity levels well above industry standards during the year, as evidenced by a strong liquidity ratio of 46% and a capital adequacy ratio of 68%.

Unfortunately the Company remained under-capitalised, thereby failing to comply with the minimum core capital Direction No. 2 of 2017. This led to the issuance of a cap of Rs. 1.3 Bn on lending and Rs. 600 Mn on deposits by the Central Bank of Sri Lanka, with effect from the 04th of June 2019. The CBSL further directed the reduction of the lending portfolio and deposit liability by Rs. 50 Mn and Rs. 25 Mn respectively per month, with effect from November 2019, until such period the core capital requirement could be fulfilled. In order to address this concern, Multi Finance PLC sought to align itself with the Central Bank's Financial Sector Consolidation Masterplan, and was subsequently acquired by L B Finance PLC, one of Sri Lanka's leading NBFIs. Subsequently, the regulatory ceiling on deposits and loan advances received an upward revision up to Rs. 1.25 Bn and Rs. 1.5 Bn respectively.

Against the above-mentioned backdrop, the Company recorded a loss of Rs. 199.5 Mn against the Rs. 82.6 Mn loss after tax recorded in the previous financial year.

Outlook

Even amid Sri Lanka's prevailing economic crisis and disruptions on a global scale, Multi Finance PLC remains poised to deliver value, following its acquisition by L B Finance PLC. The Company is at present restructuring and recalibrating its structures and processes to strengthen its core proposition, thereby positioning the organisation and its resources to ensure its stability and outlook remain positive in the years ahead.



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, skill 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 13 of this Report.

Composition and Independence

The Board is comprised of 06 members as at 31st March 2022, three (03) 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 skill 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 43 to 46.

Tenure, Retirement and Re-election of Directors

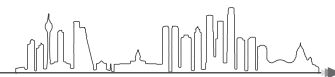
At each Annual General Meeting one of the Directors for the time being, shall retire from office and seek re-election by the shareholders.

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 2022, 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	11	92%
2. Mrs. C J Atapattu	12	11	92%
3. Mr. Pushpika Jayasundera	12	12	100%
4. Mrs. Dulani Thanuja de Alwis	12	11	92%
5. Mr. Indraraj Ratnasabapathy	12	12	100%
6. Mr. J. Prasad Polwatte	10	09	90%

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 38 to 42 in this Report.

Compliance Officer

Manager - Compliance as the Compliance Officer 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

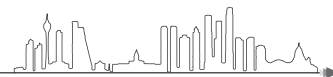
All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for.

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.

Accountability and Disclosure

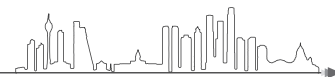
The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.



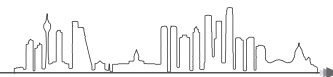
CORPORATE GOVERNANCE

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
2. The Responsibilities of the Board of Directors		
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 has a documented procedure manual in which the Board has approved after the end of the financial year, highlights how the Board would monitor the affairs of the finance Company. Further, the Sub-committees to the Board review the affairs of the company and keep the Board updated on the affairs of the Company. Where required, members of the management are required to provide explanation.
	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.

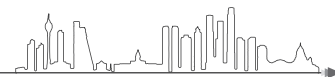


Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (1) (j)	Complied with A documented Succession Plan is in place for all Key Management positions and are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.
	2 (1) (k)	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.
3. Meetings of the Board		
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.
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.

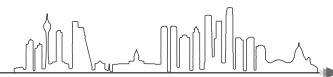


CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
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.
4. Composition of the Board		
Number of Directors	4(1)	Complied with The Board comprised of 06 Directors as at 31st March 2022.
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 2. Mr. Indraraj Ratnasabapathy 3. Mr. J. Prasad Polwatte
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 judgment and their detailed profiles are given on pages 10 to 13.
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 43 to 46 in addition to the disclosures on profiles of Directors on pages 10 to 13 of the Annual Report.
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 There is no new appointments during the period.

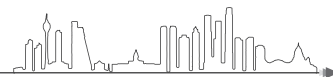


Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Resignation/ removal of a Director	4 (11)	Complied with Resignation of Directors along with related reasons are duly communicated to the Director of the Department of Supervision of Non-Bank Financial Institutions. Appointments, removal or resignations of Directors of the company are given to the Shareholders by way of the immediate notifications to the CSE.
5. Criteria to assess the Fitness and Propriety of Directors		
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 2022.
Holding of office in more than 20 entities	5 (2)	Complied with As at 31.03.2022 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.
6. Management Function delegated by the Board		
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.
7. The Chairman and the Chief Executive Officer		
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 is disclosed in the Annual report on page 10.
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.

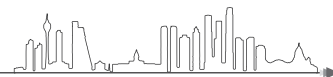


CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
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.
8. Board Appointed Sub-Committees		
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.

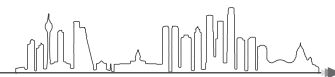


Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Audit Committee 8 (2)		
The Chairman of the committee is a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit	(8)(2)a)	Complied with The company appointed Mr.J.Prasad Polwatte as the Chairman of the Audit Committee on 30th June 2021 who is with sufficient qualifications.
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 five 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 dismisses 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 2022.
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.

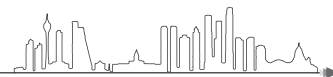


CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
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)	Non Complied with Discussions with Auditors were not 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 14th February 2022 to discuss the previous financial year's management. At the Audit Committee meeting, it was confirmed that in general, most of the management letter concerns had been rectified.
<p>The committee has taken the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> - 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)	<p>Complied with</p> <p>The Internal Audit function is outsourced to PwC. The internal auditors report to the Audit Committee.</p> <p>Agreed to perform 2 reviews with all branches within a year as per the Letter of engagement 2021/22.</p> <p>Salient features are presented and discussed by the Internal Auditors at the Audit Committee.</p> <p>Audit committee reviews the adequacy of risk based audit plan</p> <p>Not applicable since the function is outsourced</p> <p>Considering the scope of work, the management does recommendations</p> <p>Not applicable since the function is outsourced</p> <p>Internal audit function is unbiased as it is outsourced.</p>
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.
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.

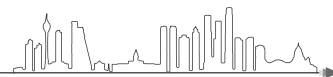


Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
The committee meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities	(8)(2)n)	Complied with Audit committee meetings were held five times during the year.
Disclosures in the Annual Report	(8)(2)o)	Complied with The Audit Committee report is on page 41 to 42 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.
Integrated Risk Management Committee 8 (3)		
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 Chief Financial Officer 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)	Not Complied with One meeting held during the year.
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.
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.

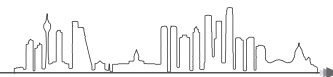


CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
9. Related Party Transactions		
Avoiding conflict of interests in related party transactions and favorable treatment	9 (2)	<p>Complied with</p> <p>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.</p> <p>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.</p> <p>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 38 on page 110 to 112 in Financial Statements.</p>
Related party Transactions	9 (3)	<p>Complied with</p> <p>The Board also ensures that no related party benefits from favorable treatment. The Board has also established a related party review committee to analyse related party transactions.</p>
Monitoring of related party transactions defined as more favorable treatment including	9 (4)	<p>Partially Complied with</p> <p>The Board ensures that no related party benefits from more favorable treatment. The Board has also established a Related Party Transaction Review Committee to analyse related party transactions.</p> <p>The Board transacts with related parties as per the definition of LKAS 24. All transactions were transacted at an arm’s length basis.</p> <p>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.</p>
10. Disclosures		
Publish Interim and Annual Financial Statements based on applicable accounting standards and publish in Sinhala, Tamil and English newspapers	10 (1)	<p>Complied with</p> <p>The audited financial statements for the year ended 31 March 2022 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.</p> <p>All financial statements were published in the newspaper in all three languages.</p>
Minimum disclosure in the Annual Report	10 (2) a) – 10 (2)e)	<p>Complied with</p> <p>All necessary disclosures have been included in the Annual Report 2021/22.</p>



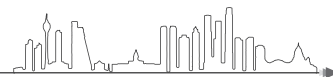
Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Total net accommodation outstanding and the net accommodation outstanding in respect of each category of related parties as a percentage of the capital funds.	10 (2) f)	Complied with There are no accommodations outstanding as at end of the year.
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, The Company has not complied with the Minimum Core Capital as per Minimum Core Capital Direction No. 02 of 2017. Nevertheless, the Company has complied with the Central bank of Sri Lanka's Master Plan for consolidation of financial sector. Hence the acquisition by LB Finance PLC was taken place on 16th March 2022 and thereafter completed the mandatory offer on 01st June 2022. Accordingly Multi Finance PLC is in the process of meeting required capital imposed by Central Bank of Sri Lanka. At the same time discussion are underway for a consolidation/merger in line with CBSL plan to consolidate non-banking financial institutions.
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.



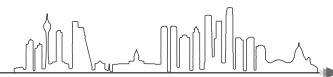
CORPORATE GOVERNANCE

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

Section	Rule No.	Requirement	Compliance Status	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 2022.
	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.J.Prasad Polwatte appointed during the period (28.06.2021) 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 three 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"> • Mr.Imal Fonseka • Mr.Indraraj Ratnasabapathy • Mr. J. Prasad Polwatte (Appointed w.e.f. 28.06.2021)
	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 13.
	7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board	Complied with	Please refer Profiles of Directors in page 10 to 13.
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.
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 39 of the Annual Report.

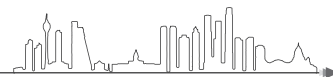


Section	Rule No.	Requirement	Compliance Status	Details
	7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non- Executive Directors, whichever is higher	Complied with	The Remuneration Committee comprises of two Independent Non-Executive Directors; - Mr. Imal Fonseka - Mr. Indraraj Ratnasabapathy - Mrs. Dulani Thanuja de Alwis (Appointed w.e.f.30.06.2021)
		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 39.
Audit Committee	7.10.6	A listed company shall have an Audit Committee.	Complied with	Please Refer page 41 to 42 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. Indraraj Ratnasabapathy • Mr.J.Prasad Polwatte (Appointed w.e.f. 30th June 2021) • Mrs. Dulani Thanuja de Alwis
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Complied with	Mr. J. Prasad Polwatte , who is an Independent, Non-Executive Director functions as the Chairman of the Audit Committee.
		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 Chief Financial Officer attends all Audit Committee meetings.



CORPORATE GOVERNANCE

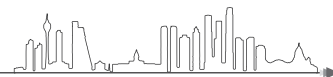
Section	Rule No.	Requirement	Compliance Status	Details
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Complied with	Mr.J.Prasad Polwatte was appointed to the Audit Committee w.e.f. 30.06.2021 who is a member of professional accounting body.
	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 41 to 42.
	7.10.6 (c)	<p>The annual report shall set out;</p> <p>(i) the names of the Directors who comprise the Audit Committee</p> <p>(ii) The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination</p> <p>(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules</p>	Complied with	Please refer the Report of the Audit Committee on pages from 41 to 42 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")

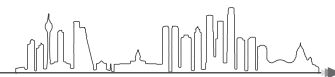
Section I – THE COMPANY

Corporate Governance Principle	Reference to Code	Degree of Compliance
A. DIRECTORS		
A.1 The Board		
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.
A.2 Chairman & the Chief Executive Officer		
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

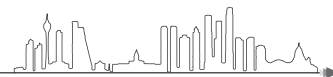


CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
A.3 Chairman's Role 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.
A.4 Financial Acumen 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.
A.5 Board Balance 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 2022, three of whom were Independent.
Independence of NEDs	A.5.2 & A.5.3	A.5.2 Complied with. The following 3 NEDs are Independent Directors as at 31st March 2022. 1. Mr. Imal Fonseka 2. Mr. Indraraj Ratnasabapathy 3. Mr. J. Prasad Polwatte (Appointed w.e.f. 28.06.2021) 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.
A.6 Provision of appropriate and timely information 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

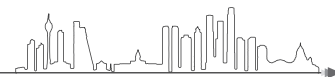


Corporate Governance Principle	Reference to Code	Degree of Compliance
A.7 Appointments to the Board		
The Code requires the Company to have formal & transparent procedure to appoint new Directors to the Board.		
Presence of a Nomination Committee & Annual Assessment of composition of the Board	A.7.1 & A.7.2	Complied with
Disclosure requirements when new appointments are made to the Board	A.7.3	Complied with
A.8 Re-Election		
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
A.9 Appraisal of Board Performance		
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
A.10 Disclosure of Information in respect of Directors		
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.
A.11 Appraisal of the Chief Executive Officer (CEO)		
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. DIRECTOR'S REMUNERATION		
B.1 Remuneration Procedure		
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 The Remuneration Committee comprises of 3 Non-Executive Directors two of them are Independent as at 31st March 2022. <ul style="list-style-type: none"> • Mr. Imal Fonseka • Mr. Indraraj Ratnasabapathy • Mr. J. Prasad Polwatte (Appointed w.e.f. 28.06.2021)
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

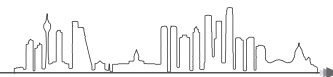


CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
B.2 Level & Make-Up of Remuneration 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.3 Disclosure of Remuneration 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.
C. RELATIONS WITH SHAREHOLDERS C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings 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.

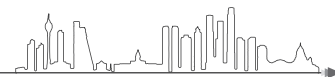


Corporate Governance Principle	Reference to Code	Degree of Compliance
C.2 Communication with Shareholders		
The Board should implement effective communication with Shareholders.		
Channel to reach all shareholders to disseminate timely information	C.2.1	Complied with Primary modes of communication with shareholders are the Annual Report & AGM. The following channels were also used; <ul style="list-style-type: none"> • Financial and other notices as and when required • through the Colombo Stock Exchange • Corporate website • Press notices
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.
C.3 Major and Material Transactions		
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.
D. ACCOUNTABILITY AND AUDIT		
D.1 Financial Reporting		
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 the Affairs of the Company on pages 43 and 46.
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 on 47 and Pages from 51 to 53 respectively.
Management Discussion and Analysis	D.1.4	Complied with. Refer Management Discussion and Analysis. on pages 14 and 15.
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 43 to 46.
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.



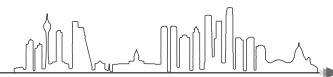
CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
D.2 Internal Control 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.
D.3 Audit Committee 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 three Independent Non-Executive Directors and one Non Independent Non-Executive Director as at 31st March 2022. <ul style="list-style-type: none"> • Mr. Imal Fonseka • Mr. Indraraj Ratnasabapathy • Mr.J.Prasad Polwatte (Appointed w.e.f. 28.06.2021) • Mrs. Dulani Thanuja de Alwis
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.
D.4 Code of Business Conduct and Ethics 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.
D.5 Corporate Governance Disclosures 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
E INSTITUTIONAL INVESTORS		
E.1 Shareholder Voting		
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.
E.2 Evaluation of Governance Disclosures		
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.
F. OTHER INVESTORS		
F.1 Investing/Divesting Decisions		
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.
F.2 Shareholder Voting		
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 one (01) time during the period under review. The attendance at the meetings were,

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

On behalf of the Committee,

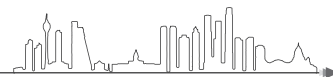
Mr. M.A.J.W. Jayasekara

Chairman

Integrated Risk Management Committee

(Appointed to the Committee on 29th June 2022)

29th June 2022



REPORT OF THE REMUNERATION COMMITTEE

The Board appointed Remuneration Committee (RC) comprised of the following members during the year;

1. Mr. Imal Fonseka	- Independent, Non-Executive Director
2. Mr. Indraraj Ratnasabapathy	- Independent, Non-Executive Director
3. Ms. D.T.de Alwis	- Non - Independent, Non-Executive Director (Appointed w.e.f. 30.06.2021)

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 the Directors' remuneration paid during the year under review are set out in Note No. 11 to the Financial Statements.

On behalf of the Committee,

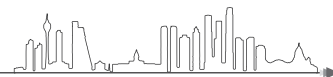
Mr. M.A.J.W. Jayasekara

Chairman

Remuneration Committee

(Appointed to the Committee on 29th June 2022)

29th June 2022



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 comprised of the following members during the year.

1. Mr. Imal Fonseka	- Member
2. Mr. Indraraj Ratnasabapathy	- Member
4. Mrs. Dulani Thanuja de Alwis	- Member

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 one time 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 44 of the Annual Report of the Board of Directors on the Affairs of the Company.

On behalf of the Committee,

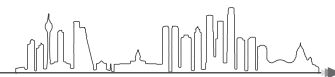
Mrs. Ashwini Natesan

Chairman

Related Party Transactions Review Committee

(Appointed to the Committee on 29th June 2022)

29th June 2022



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 comprised of Three Independent Non-Executive Directors and One Non-Independent Non-Executive Director as at 31st March 2022.

The Audit Committee comprised of the following members;

• Mr. J. Prasad Polwatte (Chairman)	- Independent, Non- Executive Director
• Mr. Indraraj Ratnasabapathy	- Independent, Non-Executive Director
• Mr. Imal Fonseka	- Independent, Non-Executive Director
• Mrs. Dulani Thanuja de Alwis	- Non-Independent Non-Executive Director

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

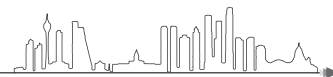
requirements of the Sri Lanka Auditing Standards

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 five (05) times during the period under review. The Chief Executive Officer and Chief Financial Officer 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. J. Prasad Polwatte	03	03	100%
2. Mr. Indraraj Ratnasabapathy	05	05	100%
3. Mr. Imal Fonseka	05	02	40%
4. Mrs. Dulani Thanuja de Alwis	05	05	100%

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 2022, 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.

On behalf of the Committee,

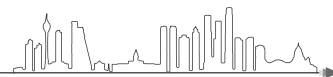
Mr. M.A.J.W. Jayasekara

Chairman

Audit Committee

(Appointed to the Committee on 29th June 2022)

29th June 2022



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 2022 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 2022 duly signed by two Directors on behalf of the Board are given on pages 56 to 116 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 51 to 53.

Accounting Policies

The Accounting Policies which are adopted by the Company in the preparation of Financial Statements are given on pages 59 to 73. They are consistent with those of the previous period.

The Board of Directors

As at 31st March 2022, the Board of Directors of the Company consisted of six (06) members as noted below.

Executive Directors

Mrs. C.J. Atapattu

Mr. P. Jayasundera

Independent, Non- Executive Directors

Mr. Imal Fonseka

Mr. Indraraj Ratnasabapathy

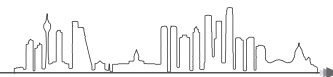
Mr. J. Prasad Polwatte

Non-Independent, Non-Executive Directors

Ms. D.T de Alwis

New Appointments and Resignations to the Board

On having obtained approval from the CBSL Mr. G.A.R.D. Prasanna, Mr. M.A.J.W. Jayasekara, Mr. Niroshan Udage, Mr. B.D.A. Perera, Mr. R.S. Yatawara, Mr. Dharmadasa Rangalle, Mrs. Ashwini Natesan and Ms. Yanika Amarasekera were appointed to the Board w.e.f. 18th May 2022 and Mrs. Yogadinusha Bhaskaran was appointed w.e.f. 21st July 2022. On having obtained approval from the CBSL, Mrs. C.J. Atapattu tendered resignation with effect from 27th April 2022 and Mr. Imal Fonseka, Mr. Indraraj Ratnasabapathy, Ms. D.T De Alwis, Mr. J. Prasad Polwatte, Mr. P. Jayasundera resigned w.e.f. 28th June 2022.



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

Retirement by Rotation and Re-Election of Directors

Consequent to the re-constitution of the Board during the Financial Year, retirement by rotation and re-election of Directors in terms of Article 87 will not be applicable for the year.

Independence of 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. 38 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 38 to the Financial Statements.

Remuneration and Fees

Details of the Directors remuneration and fees are set out in Note No. 11 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. 13 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.

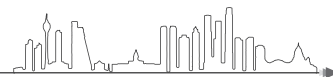
In accordance with the Company's Act, No. 7 of 2007, an Ordinary Resolution proposing the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors of the Company will be submitted at the Annual General Meeting.

Independent Auditor's Report

The Independent Auditor's report on the Financial Statements is given on pages 51 to 53 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 38 to 42.

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2022 are as follows.

	31.03.2022	31.03.2021
Mr. Imal Fonseka	Nil	Nil
Mr. Indraraj Ratnasabapathy	-	Nil
Mr. P. Jayasundera	Nil	Nil
Ms. C.J. Atapattu	20,575	20,575
Mrs. Dulani Thanuja de Alwis	-	Nil
Mr. J. Prasad Polwatte	-	Nil

Shareholders

There were 1074 shareholders registered as at 31st March 2022. The details of the distribution are given on page 117 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 117 to 118 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 41 to 42.

Compliance

The Company has established an effective compliance function. The Compliance function 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 function 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.

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

Annual General Meeting

The Annual General Meeting will be held on 21st September 2022 at 9.00 a.m. at the Auditorium of the Corporate Office of the L B Finance PLC No. 20, Dharmapala Mawatha, Colombo 03 via Zoom Audio / Video – (Virtual AGM).

The notice of the Annual General Meeting appears on page 120.

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.

Signed on behalf of the Board by,

Mr. G.A.R.D. Prasanna

Chairman

Mr. R.S. Yatawara

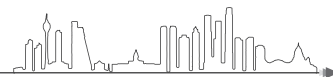
Director

Business Intelligence (Private) Limited

Secretaries

29th June 2022

Colombo



STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out responsibility of the Directors in relation to the Financial Statements of the Company prepared in accordance with the provisions of the Companies Act No. 07 of 2007.

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on pages 51 to 53 of the Annual Report.

As per the provisions of sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company as at the reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1) (b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the annual report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting. However, under the prevailing situation of the country and the non-availability of paper and related items, the above obligation is discharged by the Directors by making available a copy of the Annual Report on the Company's official website and the Colombo Stock Exchange website in terms of Rule 7.5.b of the listing rules of the CSE. As per said rule, printed copies of the annual report will be made available to shareholders on request.

In preparing the Financial Statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2022/2023, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year, which is primarily handled through the Audit Committee and the Integrated Risk Management Committee.

The Directors have taken appropriate steps to ensure that the Company maintains proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company have been certified by the Manager - Finance of the Company, the officer responsible for their preparation as required by section 150(1) (b) and they have also been signed by two Directors of the Company as required by section 150(1) (c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company as at the reporting date have been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement

BY ORDER OF THE BOARD
MULTI FINANCE PLC

Business Intelligence (Private) Limited
Company Secretaries
29th June 2022



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



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

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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 2022.

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 behavior.

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

Our 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.

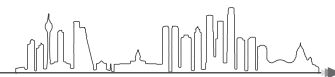
To achieve this objective, appropriate evidence has been obtained by performing the following procedures;

- 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.
- 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

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyratne 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 FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K. Sumanasekara FCA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS

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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.

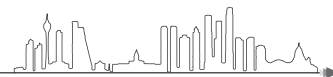
The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the License Finance Company, the event or transaction in respect of which the Statement has been prepared.

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

Our conclusion

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, 30 June 2022



DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

In line with 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 issued by Chartered Accountants of Sri Lanka, the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control over financial reporting process 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 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.

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.

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 sub-committees 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 recommended by the Board appointed sub-committees and approved by the Board. 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, administration, legal and 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.
- The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure. Financial reporting and management information processes will be further strengthened by constant monitoring and adaptation to market realities.

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.

Review of the statement by External Auditor

The external auditor, Messrs. KPMG Sri Lanka has reviewed the above Directors' Statement on Internal Controls over Financial Reporting and report is included in the Company's Annual Report for the year ended 31st March 2022. They have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company.

Their report on the statement of internal control over financial reporting is given on page 48 to 49 of this annual report.

By Order of the Board
Multi Finance PLC

Mr. M.A.J.W. Jayasekara

Chairman – Board Audit Committee

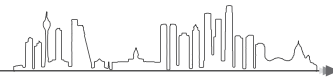
(Appointed to the Committee on 29th June 2022)

Mr. R.S. Yatawara

Director

(Appointed on 18th May 2022)

29th June 2022



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, 2022, 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 54 to 116.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2022, 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 45 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 2022 amounting to Rs.616,219,637.

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.

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. Allowance for Impairment losses for loans and receivables, lease rental receivables and stock out on hire

As described in Note 4.2.10 (Accounting policies) and Note 20.1, the Company has estimated impairment provision for Financial Assets at Amortised Cost – Loans and Receivables, Financial Assets at Amortised Cost – Lease Rental Receivable and Stock out on Hire of Rs. 351,884,581 as at 31st March 2022.

Risk Description

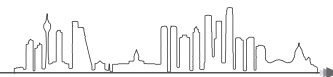
The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for impairment loss in accordance with SLFRS 9- Financial Instruments.

High degree of complexity and judgment are involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the ECL model including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required.

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INDEPENDENT AUDITOR'S REPORT

The prevailing uncertain and volatile macro-economic environment and implications of COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk.

We have identified the allowance for expected credit losses as a key audit matter due to the significance of the loans and receivables, lease rental receivables and stock out on hire balances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances and level of required disclosures set out by the requirements of SLFRS 7 financial instruments: Disclosures.

Our audit procedures included:

- Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain and volatile macro-economic environment;
- Challenging the key assumptions in the ECL models, including staging, PD, and LGD and evaluating the reasonableness of Management's key judgments and estimates;
- Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios;
- Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD;
- Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment and implications of COVID-19 pandemic;
- Working with our internal consulting specialists in order to assess the management computation of ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, assumptions, and management overlays to the ECL model.
- Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards 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 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

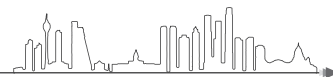
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement,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

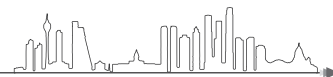
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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 2022 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 2599.

Chartered Accountants
Colombo, Sri Lanka
30 June 2022

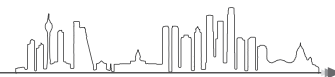


INCOME STATEMENT

<i>For the year ended 31st March</i>	Note	2022 Rs.	2021 Rs.
Income	5	120,357,181	134,104,126
Interest Income	6	111,453,969	126,590,478
Interest Expenses	7	(25,200,657)	(42,830,661)
Net Interest Income	7.2	86,253,312	83,759,817
Fee and Commission Income	8	720,468	735,079
Other Operating Income	9	8,182,744	6,778,569
Total Operating Income		95,156,524	91,273,465
Impairment Charges/(Reversal) and Other Losses	10	(155,667,981)	(3,872,222)
Net Operating Income/(Loss)		(60,511,457)	87,401,243
Operating Expenses			
Personnel Expenses	11	(75,797,743)	(81,745,361)
Depreciation of Property, Plant and Equipment	12.1	(23,863,969)	(24,761,207)
Amortisation of Intangible Assets	12.2	(615,074)	(976,921)
Other Operating Expenses	13	(38,707,890)	(39,908,955)
Total Operating Expenses		(138,984,676)	(147,392,444)
Operating Loss before Tax on Financial Services		(199,496,133)	(59,991,201)
Tax on Financial Services	14	(7,214)	(2,902,110)
Loss Before Taxation		(199,503,347)	(62,893,311)
Income Tax Expense	15.1 (a)	-	(19,706,223)
Profit/(Loss) for the Year		(199,503,347)	(82,599,534)
Earnings/(Loss) per Share: Basic/Diluted (Rs.)	16	(3.14)	(1.30)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 59 to 116 form an integral part of these financial statements.

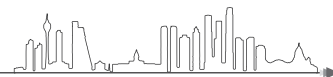


STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>For the year ended 31st March</i>	Note	2022 Rs.	2021 Rs.
Profit/(Loss) for the Year		(199,503,347)	(82,599,534)
Other Comprehensive Income that will be Reclassified to Income Statement			
Reclassification of Fair Value Through Other comprehensive income to Profit or Loss	34.3	(50,308)	(207,437)
Net Gain/(Loss) in fair value of financial assets measured at Fair Value Through Other Comprehensive Income		-	10,546
Net Other Comprehensive Expense that will be Reclassified to Income Statement		(50,308)	(196,891)
Other Comprehensive Income that will never be Reclassified to Income Statement			
Actuarial Gains/(Losses) on Defined Benefit Plans	32.2	4,512,590	(660,791)
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	32.2	-	158,590
Net Actuarial Gains/(Losses) on Defined Benefit Plans		4,512,590	(502,201)
Net Other Comprehensive Income/(Expense) that will never be Reclassified to Income Statement		4,512,590	(502,201)
Other Comprehensive Income/(Expense) for the Year, Net of Tax		4,462,282	(699,092)
Total Comprehensive Income/(Expense) for the Year, Net of Tax		(195,041,065)	(83,298,626)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 59 to 116 form an integral part of these financial statements.



STATEMENT OF FINANCIAL POSITION

As At 31st March	Note	2022 Rs.	2021 Rs.
Assets			
Cash and Cash Equivalents	17.1	13,693,690	23,195,923
Financial Assets at Amortised Cost - Loans and Receivables	18	254,667,027	411,421,218
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	19	82,196,194	158,110,929
Financial Assets Measured at Fair Value Through Other Comprehensive Income	21	2,500	535,489
Other Financial Assets	22	135,469,843	119,229,696
Other Non Financial Assets	23	37,534,569	40,072,409
Repossessed Stock	24	-	4,090,270
Income Tax Receivable		5,227,631	5,227,631
Investment Property	25	71,150,000	68,333,000
Deferred Tax Asset	26	-	-
Property, Plant and Equipment and Right-of-Use Assets	27	16,576,715	39,401,866
Intangible Assets	28	1,007,511	524,860
Total Assets		617,525,680	870,143,291
Liabilities			
Due to Banks	17.2	3,208,335	3,128,745
Financial Liabilities at Amortised Cost - Due to Depositors	29	253,824,754	294,272,187
Other Financial Liabilities	30	37,025,793	53,490,242
Other Non Financial Liabilities	31	17,796,298	16,897,718
Post Employment Benefit Liability	32	6,859,576	8,502,410
Total Liabilities		318,714,756	376,291,302
Equity			
Stated Capital	33	898,375,289	898,375,289
Reserves	34	16,655,272	16,705,580
Retained Earnings/(Accumulated Losses)	35	(616,219,637)	(421,228,880)
Total Equity		298,810,924	493,851,989
Total Liabilities And Equity		617,525,680	870,143,291
Net Assets Value Per Share (Rs.)		4.70	7.76

Figures in brackets indicate deductions.

The accounting policies and notes from pages 59 to 116 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.

Nuwan Ediriweera
Manager - Finance

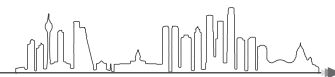
Pushpika Jayasundara
Chief Executive Officer

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.

Niroschan Udage
Director

Ravindra Yatawara
Director

29th June 2022
Colombo

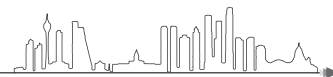


STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital Rs.	Retained Earnings/ (Accumulated Losses) Rs.	General Reserve Rs.	Statutory Reserve Fund Rs.	Fair Value Reserve Rs.	Total Rs.
Balance as at 01st April 2020		898,375,289	(338,127,145)	11,266,050	5,389,222	247,199	577,150,615
Profit/(Loss) for the Year		-	(82,599,534)	-	-	-	(82,599,534)
Other comprehensive income net of tax for the year;							
Net actuarial Gains/(Losses) on defined benefit liability		-	(502,201)	-	-	-	(502,201)
Reclassification of Fair Value Through Other comprehensive income to Profit or Loss		-	-	-	-	(207,437)	(207,437)
Net change in fair value of financial assets measured at Fair Value Through Other Comprehensive Income		-	-	-	-	10,546	10,546
Total Comprehensive Expense for the Year, Net of Tax		-	(83,101,735)	-	-	(196,891)	(83,298,626)
Balance as at 31st March 2021		898,375,289	(421,228,880)	11,266,050	5,389,222	50,308	493,851,989
Balance as at 01st April 2021		898,375,289	(421,228,880)	11,266,050	5,389,222	50,308	493,851,989
Profit/(Loss) for the Year		-	(199,503,347)	-	-	-	(199,503,347)
Other comprehensive income net of tax for the year;							
Net Actuarial Gains/(Losses) on Defined Benefit Plans	32.2	-	4,512,590	-	-	-	4,512,590
Reclassification of Fair Value Through Other comprehensive income to Profit or Loss	34.3	-	-	-	-	(50,308)	(50,308)
Total Comprehensive Expense for the Year, Net of Tax		-	(194,990,757)	-	-	(50,308)	(195,041,065)
Balance as at 31st March 2022		898,375,289	(616,219,637)	11,266,050	5,389,222	-	298,810,924

Figures in brackets indicate deductions.

The accounting policies and notes from pages 59 to 116 form an integral part of these financial statements.

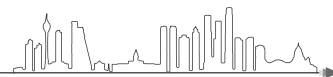


STATEMENT OF CASH FLOWS

<i>For the year ended 31st March</i>	Note	2022 Rs.	2021 Rs.
Cash Flows From/(Used in) Operating Activities			
Profit/(Loss) and Other Comprehensive Income/(Expense) Before Taxation		(195,041,065)	(63,750,993)
Adjustments for :			
Depreciation on Property, Plant and Equipment	27	23,863,969	24,761,207
Amortisation of Intangible Assets	28	615,074	976,921
Impairment charge/(reversal) for loan and other advances	10	155,667,981	3,872,222
(Profit)/Loss on Disposal of Property, Plant and Equipment	9	(338,037)	27,878
Provision/(Reversal) for Defined Benefit Plans		(804,604)	2,531,655
Dividend Received	9	(60,000)	(80,000)
(Profit)/Loss on disposal of Repossessed Stock		-	2,659,728
Interest expense on Lease Liability	30.2	2,357,510	3,149,911
Gain/(Losses) from fair value changes of Investment Properties	9	(2,817,000)	(1,547,500)
Gain/(Loss) on modification of Right-of-Use Assets		-	(774,099)
Net Gain/(Loss) in fair value of financial assets measured at Fair Value Through Other Comprehensive Income		-	(10,546)
Operating Profit before Working Capital Changes		(16,556,172)	(28,183,616)
(Increase)/Decrease in Operating Assets			
(Increase)/Decrease in Financial Assets at Amortised Cost - Loans and Receivables		(12,101,117)	226,563,872
(Increase)/Decrease in Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire		88,640,330	72,407,641
(Increase)/Decrease Financial Assets Measured at Fair Value Through Other Comprehensive Income		532,989	-
(Increase)/Decrease Repossessed Stock		4,552,002	1,689,730
(Increase)/Decrease in Other Financial Assets		(16,240,147)	(5,147,508)
(Increase)/Decrease in Other Non Financial Assets		2,537,840	(8,380,712)
		67,921,897	287,133,023
Increase/(Decrease) in Operating Liabilities			
Increase/(Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors		(40,447,433)	(216,433,919)
Increase/(Decrease) in Other Financial Liabilities		(2,250,141)	6,261,748
Increase/(Decrease) in Other Non Financial Liabilities		898,580	-
		(41,798,994)	(210,172,171)
Cash Generated From Operations		9,566,731	48,777,236
Retirement Benefit Liabilities Paid	32	(838,230)	(765,300)
Income Tax Paid		-	-
Net Cash From/(Used in) Operating Activities		8,728,501	48,011,936
Cash flows from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment and Right-of-Use Assets	27	(55,400)	(59,238)
Acquisition of Intangible Assets	28	(1,097,725)	-
Proceeds from sale of Property, Plant and Equipment		514,498	-
Dividend income Receipt	9	60,000	80,000
Net Cash Flows From/(Used in) Investing Activities		(578,627)	20,762
Cash Flows From/(Used in) Financing Activities			
Payment of Lease liabilities	30.2	(17,731,697)	(16,954,897)
Net cash generated from/(used in) Financing Activities		(17,731,697)	(16,954,897)
Net (Decrease)/Increase in Cash and Cash Equivalents		(9,581,823)	31,077,801
Cash and Cash Equivalents at the Beginning of the Year		20,067,178	(11,010,623)
Cash and Cash Equivalents at the end of the Year	17.3	10,485,355	20,067,178
Analysis of Cash and Cash Equivalents			
Favourable balance			
Balances with Banks		5,100,087	15,873,623
Notes and Coins Held		8,593,603	7,322,300
		13,693,690	23,195,923
Unfavourable balance			
Bank overdrafts		(3,208,335)	(3,128,745)
		(3,208,335)	(3,128,745)
		10,485,355	20,067,178

Figures in brackets indicate deductions.

The accounting policies and notes from pages 59 to 116 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.

L B Finance PLC is the parent company of Multi Finance PLC, which is incorporated and domiciled in Sri Lanka. The Company's ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka. The Company's ultimate controlling party is Mr. Dhammika Perera.

The Staff strength of the Company as at 31 March 2022 was 59 (as at 31 March 2021 was 65).

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 2022 were authorized for issue by the Board of Directors in accordance with the resolution passed on 30 June 2022.

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. 7 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 recognised 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 39.

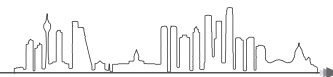
2.6 Materiality and Aggregation

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 ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and unemployment). 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,



NOTES TO THE FINANCIAL STATEMENTS

and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. However, in light of the ongoing economic crisis, the Company has assessed its going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

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 (Note No 44).

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 recognised 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.

3. Change in Significant Accounting Policies

The Company has consistently applied the accounting policies to all periods presented in these 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.

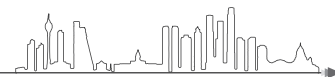
Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated 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.

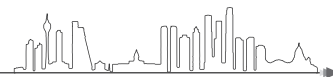
On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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



NOTES TO THE FINANCIAL STATEMENTS

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.

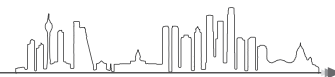
Financial assets – Subsequent measurement and gains and losses

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 "Financial Liabilities at Amortised Cost - Due to Depositors", "Due to Banks", and "Other Financial Liabilities".



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 derecognises 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 recognised 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 recognised in profit or loss.

4.2.6 Modification of Financial Assets and Financial Liabilities

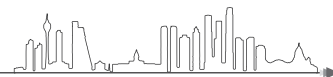
4.2.6.1 Financial assets

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 derecognised 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.



NOTES TO THE FINANCIAL STATEMENTS

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 Group'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.

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:

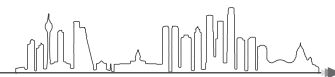
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest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

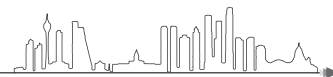
12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

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;



NOTES TO THE FINANCIAL STATEMENTS

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.

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 are considered credit-impaired up to previous financial year even when the regulatory definition of default is different and credit facilities that are overdue for 90 days or more are considered credit-impaired for current financial year.

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:

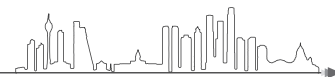
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance 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 calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics.

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.

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 recognised 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.

(a) Software

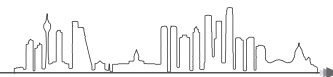
All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under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

(b) Subsequent Expenditure

Expenditure incurred on software is capitalised 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) Amortisation

Intangible assets, are amortised 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 recognised as an expense by the Company in previous Annual Financial Statements are not recognised as part of the cost of an intangible asset at a later date. Amortisation methods, useful



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lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Retirement and Disposal

An intangible asset is derecognised 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 recognised 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, capitalised 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 capitalised as part of computer equipment.

(c) Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised 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 derecognised 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 derecognised.

(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 derecognised. 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.

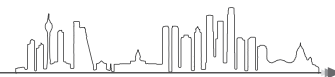
Investment property is measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subsequently measured at fair value on annual basis with any change therein recognised in the Statement of profit or loss. The fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40 and SLFRS 13.

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 recognised 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 recognised 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 recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

The investment property is derecognised 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 recognised 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.

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.

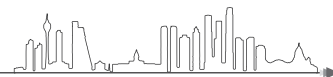
Lease payments included in the measurement of the lease liability comprise the following:

- 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 'Property, Plant and Equipment and Right-of-use assets' and lease liabilities in 'Other Financial Liabilities' in the statement of financial position.



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The Company has applied COVID-19-Related Rent Concessions – Amendment to SLFRS 16 in the financial year of 2020/21. 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 previous 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 nil (2021: Rs. 774,100).

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

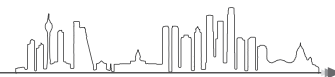
These represent the funds borrowed by the Company for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Company designates debt securities issued at fair value through profit 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.

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 32. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

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

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.

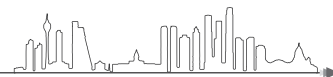
The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial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



NOTES TO THE FINANCIAL STATEMENTS

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 recognised 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 recognised as the related services are performed.

4.15 Profit /(Loss) from Sale of Lease Assets

Profit / loss from sale of Lease Assets is recognised 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 and 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 recognised on an accrual basis.

4.18 Income Tax Expense

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

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

(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.

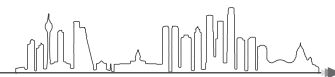
(ii) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is 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. The Government has increased the rate of VAT on Financial Services by 3% to 18% effective from 01st January 2022.

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 three reportable segments, as described in the Note 40.

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 recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

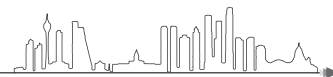
All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments are also included with appropriate disclosures.

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) Business Combinations – Updating a reference to conceptual framework - Amendments to SLFRS 03 - The amendments apply for annual reporting periods beginning on or after 01 January 2022.
- 6) Disclosure of Accounting Policies (Amendments to LKAS 1)
- 7) Definition of Accounting Estimates (Amendments to LKAS 8).



NOTES TO THE FINANCIAL STATEMENTS

5. INCOME

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Interest Income (Note 6)	111,453,969	126,590,478
Fee and commission Income (Note 8)	720,468	735,079
Other Operating Income (Note 9)	8,182,744	6,778,569
	120,357,181	134,104,126

6. INTEREST INCOME

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Loans and Receivables (Note 6.1)	70,659,057	81,495,732
Lease Rentals Receivable and Stock out on Hire (Note 6.2)	34,012,077	38,120,491
Other Financial Assets (Note 6.3)	6,782,835	6,974,255
	111,453,969	126,590,478

6.1 Interest Income - Loans and Receivables

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Term Loans	32,100,483	32,722,890
Fixed Deposit Loans	1,197,384	2,762,486
Gold Loans	37,355,370	45,987,834
Micro Finance	5,820	22,522
	70,659,057	81,495,732

6.2 Interest Income - Lease Rentals Receivable

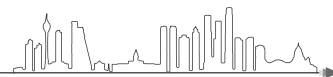
<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Lease Rentals Receivable	34,012,077	38,120,491

6.3 Interest Income - Other Financial Assets

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Sri Lanka Government Securities	4,582,080	3,223,795
Investments in Banks and Other Financial Institutions	2,200,755	3,750,460
	6,782,835	6,974,255

7. INTEREST EXPENSES

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Due to Banks	1,789	309,030
Financial Liabilities at Amortised Cost - Due to Depositors	22,841,358	39,371,720
Other Financial Liabilities	2,357,510	3,149,911
	25,200,657	42,830,661



7.1 Interest Expenses (Product-wise Breakdown)

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Bank Overdrafts	1,789	309,030
Fixed Deposits	22,629,864	38,911,503
Savings Deposits	211,494	460,217
Interest Expense on Lease Liabilities	2,357,510	3,149,911
	25,200,657	42,830,661

7.2 Net Interest Income

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Interest Income	111,453,969	126,590,478
Interest Expenses	25,200,657	42,830,661
	86,253,312	83,759,817

8. FEE AND COMMISSION INCOME

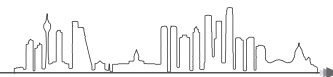
<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Credit Related Fees and Commissions	719,668	733,279
Service Charges	800	1,800
	720,468	735,079

9. OTHER OPERATING INCOME

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Insurance Commission	276,027	424,640
Profit/(Loss) on Disposal of Property, Plant and Equipment	338,037	(27,878)
Profit on Gold Auction	25,213	22,299
Recovery of Bad Debts Written off	4,087,589	3,485,367
Dividend Income from Financial Assets Measured at Fair Value Through Other Comprehensive Income	60,000	80,000
Realised Gain/(Losses) from Derecognition of Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	207,438
Gain/(Losses) from Fair Value changes of Investment Properties	2,817,000	1,547,500
Negative Lease Payments Due to Rent Concessions	-	774,099
Sundry Income	578,878	265,104
	8,182,744	6,778,569

10. IMPAIRMENT CHARGES/(REVERSAL) AND OTHER LOSSES

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Loans and Receivables	98,574,681	22,529,536
Lease Rentals Receivable and Stock out on Hire	(12,725,595)	(17,139,376)
Impairment Charge/(Reversal) for Repossessed Stock	(461,732)	(1,525,638)
Impairment on Interest Accrued on Non- Performing Loans	70,280,627	-
Other Losses	-	7,700
	155,667,981	3,872,222



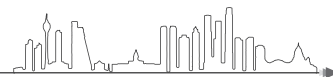
NOTES TO THE FINANCIAL STATEMENTS

10. 1 Analysis of Impairment Charges and Other Losses

<i>For the year ended 31st March 2022</i>	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gold Loans	1,537,311	249,309	154,204	1,940,824
Vehicle Loans	(36,976)	(449,117)	1,702,094	1,216,001
Mortgage Loans	(6,133)	22,146	45,239,719	45,255,732
Multi Draft	-	-	(1,127,651)	(1,127,651)
Staff Loan	(23,285)	(2,813)	707,559	681,461
Micro Finance	-	-	(1,025,074)	(1,025,074)
Business Loan	(224,721)	613,724	51,212,806	51,601,809
Personal Loan	(2,743)	-	34,322	31,579
Loans and Receivables	1,243,453	433,249	96,897,979	98,574,681
Leases	(1,051,526)	(11,614,198)	(340,843)	(13,006,567)
Hire Purchase	-	-	280,972	280,972
Lease Rentals Receivable and Stock out on Hire	(1,051,526)	(11,614,198)	(59,871)	(12,725,595)
Impairment Charge/(Reversal) for Repossessed Stock				(461,732)
Intrest Accrued on Non - Performong Loans				70,280,627
Total Allowance for Impairment Losses				155,667,981

Analysis of Impairment Charges and Other Losses

<i>For the year ended 31st March 2021</i>	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gold Loans	-	-	123,918	123,918
Vehicle Loans	(354,604)	(181,387)	5,942,314	5,406,323
Mortgage Loans	6,341	859	(7,649,764)	(7,642,564)
Multi Draft	(9,145)	-	786,069	776,924
Staff Loan	(32,278)	(1,642)	154,375	120,455
Micro Finance	-	-	(374,180)	(374,180)
Business Loan	284,456	(505,749)	24,265,611	24,044,318
Personal Loan	(9,299)	(9,062)	98,858	80,497
Educational Loan	(6,155)	-	-	(6,155)
Loans and Receivables	(120,684)	(696,981)	23,347,202	22,529,536
Leases	(5,721,919)	3,295,031	(14,739,069)	(17,165,958)
Hire Purchase	-	-	26,582	26,582
Lease Rentals Receivable and Stock out on Hire	(5,721,919)	3,295,031	(14,712,488)	(17,139,376)
Impairment Charge/(Reversal) for Repossessed Stock				(1,525,638)
Other Losses				7,700
Total Allowance for Impairment Losses				3,872,222



11. PERSONNEL EXPENSES

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Salaries and Other Related Expenses (Note 11.1)	62,358,442	68,852,881
Employer's Contribution to Employees' Provident Fund	5,495,607	6,353,402
Employer's Contribution to Employees' Trust Fund	1,373,902	1,588,351
Gratuity Charge/(Reversal) for the Year	3,707,986	1,870,864
Staff Welfare Expenses	1,384,297	1,407,163
Staff Insurance	1,477,509	1,672,700
	75,797,743	81,745,361

11.1 Salaries and Other Related Expenses

Remunerations paid to Executive Directors are included under Salaries and Other Related Expenses.

12. DEPRECIATION AND AMORTISATION

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Depreciation of Property, Plant and Equipment	8,315,803	9,576,051
Depreciation of Right-of-Use Assets	15,548,166	15,185,156
Amortisation of Intangible Assets	615,074	976,921
	24,479,043	25,738,128

12.1 Depreciation of Property, Plant and Equipment

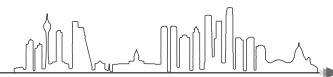
<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Furniture & Fittings	5,011,471	5,521,467
Office Equipment	946,543	1,135,964
Motor Vehicles	57,900	85,471
Computers	2,299,889	2,833,149
	8,315,803	9,576,051
Right-of-Use Assets	15,548,166	15,185,156
	23,863,969	24,761,207

12.2 Amortisation of Intangible Assets

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Computer Software	615,074	976,921

13. OTHER OPERATING EXPENSES

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Auditors' Remunerations	1,252,000	1,187,905
Professional and Legal Expenses	2,956,076	5,779,418
Deposit Insurance Premium	392,000	523,566
General Insurance Expenses	1,388,089	1,969,277
Office Administration and Establishment Expenses	32,029,023	30,104,752
Advertising and Business Promotional Expenses	690,702	344,037
	38,707,890	39,908,955



NOTES TO THE FINANCIAL STATEMENTS

14. TAX ON FINANCIAL SERVICES

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Value Added Tax on Financial Services	7,214	2,902,110

15. TAXATION

15.1 The Major Components of Income Tax Expense are as follows;

15.1 (a) Income Statement

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Current Income Tax		
Income Tax for the Year	-	-
Under/(Over) Provision of Current Taxes in respect of Previous Years	-	-
Deferred Tax		
Deferred Taxation Charge/(Reversal) (Note 26.1)	-	19,706,223
	-	19,706,223

15.1 (b) Other Comprehensive Income

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Deferred Tax		
Deferred Taxation Charge/(Reversal) (Note 32.2)	-	(158,590)
	-	(158,590)

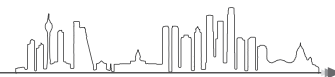
15.1 (c) Total Tax Expense for the Financial Year

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Total Tax Expense for the Financial Year	-	19,547,633

15.2 Reconciliation between Accounting Loss and Taxable Loss

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Accounting Profit/(Loss) Before Income Tax expenses	(199,503,347)	(62,893,311)
Income from Other Sources and Exempt Income	(3,470,651)	(2,068,987)
Aggregate Disallowed Items	211,122,584	62,606,606
Aggregate Allowable Expenses	(52,353,196)	(51,034,427)
Assessable Charge or (Balancing Allowance) on Depreciable Assets	226,943	(44,450)
Taxable Profit/(Loss) - Leased Assets	6,746,985	11,296,193
Taxable Profit/(Loss)	(37,230,682)	(42,138,376)
Tax Loss Claimed During the Year	-	-
Assessable Income/Taxable Profit/(Loss)	(37,230,682)	(42,138,376)
Income tax @ 24%	-	-

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% on the taxable income.



15.3 Reconciliation of Tax Loss

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Tax Loss B/F	318,181,599	252,167,925
Adjustment to Tax Loss Brought Forward	4,868,474	23,875,297
Tax Loss for The Year	37,230,682	42,138,377
Tax Loss Utilized During the Year	-	-
Tax Loss C/F	360,280,755	318,181,599

15.4 Summary of the Taxes Paid During the Financial Year

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Direct Taxes		
Income Tax	-	-
Value Added Tax on Financial Services	2,002,276	-
	2,002,276	-
Indirect Taxes (Collected and Paid)		
Stamp Duty	258,645	361,570
Withholding Tax on Dividend and Interest	139,041	101,449
PAYE Tax / Advanced Personal Income Tax	278,136	-
	675,822	463,019
Total Taxes Paid during the Financial Year	2,678,098	463,019

16. EARNINGS/(LOSS) PER ORDINARY 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, as per the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

<i>For the year ended 31st March</i>	2022 Rs.	2021 Rs.
Loss Attributable to Ordinary Share Holders (Rs.)	(199,503,347)	(82,599,534)
Weighted Average Number of Ordinary Shares Outstanding During the Year	63,610,181	63,610,181
Earnings/(Loss) Per Share (Rs.)	(3.14)	(1.30)

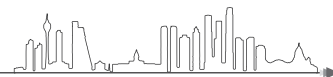
16.1 Diluted Earning Per Share

There were no potentially dilutive ordinary shares as at 31 March 2022 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.

17. CASH AND CASH EQUIVALENTS & DUE TO BANKS

17.1 Cash and cash equivalents

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Notes and Coins Held	8,593,603	7,322,300
Balances with Banks	5,100,087	15,873,623
	13,693,690	23,195,923



NOTES TO THE FINANCIAL STATEMENTS

17.2 Due to Banks

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Bank Overdrafts	(3,208,335)	(3,128,745)
	(3,208,335)	(3,128,745)

17.3 Net Cash and Cash Equivalents for the Purpose of the Statement of Cash Flows

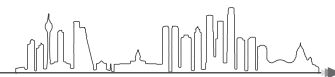
<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Cash and Cash Equivalents	13,693,690	23,195,923
Bank Overdrafts	(3,208,335)	(3,128,745)
	10,485,355	20,067,178
Fair Value	10,485,355	20,067,178

18. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Gold Loans	210,335,423	168,596,620
Vehicle Loans	19,816,201	20,836,792
Mortgage Loans	150,709,706	152,055,087
FD Loan	1,137,358	13,960,180
Micro Finance	7,924,928	8,114,292
Staff Loan	2,190,875	6,120,680
Business Loan	174,030,655	176,794,633
Personal Loan	155,041	854,142
Multi Draft	-	2,164,309
Gross Loans and Receivables	566,300,187	549,496,735
Allowance for Impairment Losses (Note 20.1)	(311,633,160)	(138,075,517)
Net Loans and Receivables	254,667,027	411,421,218

18.1 Contractual Maturity Analysis of Loans and Receivables

<i>As at 31st March 2022</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gold Loans	210,335,423	-	-	210,335,423
Vehicle Loans	8,272,175	9,578,537	1,965,489	19,816,201
Mortgage Loans	130,118,707	20,590,999	-	150,709,706
FD Loan	1,137,358	-	-	1,137,358
Micro Finance	7,924,928	-	-	7,924,928
Staff Loan	1,972,775	218,100	-	2,190,875
Business Loan	147,584,308	21,938,717	4,507,630	174,030,655
Personal Loan	155,041	-	-	155,041
Gross Loans and Receivables	507,500,715	52,326,353	6,473,119	566,300,187
Allowance for Impairment Losses (Note 20.1)				(311,633,160)
Net Loans and Receivables				254,667,027



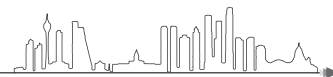
<i>As at 31st March 2021</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gold Loan	168,596,620	-	-	168,596,620
Vehicle Loan	6,363,277	10,156,778	4,316,737	20,836,792
Mortgage Loan	100,076,195	51,978,891	-	152,055,087
FD Loan	13,289,570	670,610	-	13,960,180
Micro Finance	8,114,292	-	-	8,114,292
Staff Loan	3,657,919	2,462,762	-	6,120,680
Business Loan	148,405,245	18,729,453	9,659,935	176,794,633
Personal Loan	593,741	260,402	-	854,142
Multi Draft	2,164,309	-	-	2,164,309
Gross Loans and Receivables	451,261,167	84,258,896	13,976,672	549,496,735
Allowance for Impairment Losses (Note 20.1)				(138,075,517)
Net Loans and Receivables				411,421,218

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

18.2 Credit Exposure Movement - ECL Stage-wise

<i>As at 31st March 2022</i>	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Loans and Receivables				
Gross Carrying Amount as at the Beginning of the Year	56,222,420	15,306,061	477,968,254	549,496,735
Transfer to Stage 01	123,930	(100,927)	(23,003)	-
Transfer to Stage 02	(18,010,901)	18,010,901	-	-
Transfer to Stage 03	(12,316,579)	(10,327,725)	22,644,304	-
New Assets Originated or Purchased	171,370,228	30,758,688	56,565,387	258,694,303
Financial Assets Derecognised or Repaid	(19,570,752)	(9,757,866)	(212,562,233)	(241,890,851)
Write-offs	-	-	-	-
As at 31 March 2022	177,818,346	43,889,132	344,592,709	566,300,187

<i>As at 31st March 2021</i>	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Carrying Amount as at the Beginning of the Year	71,425,683	40,636,413	634,541,776	746,603,872
Transfer to Stage 01	25,471,817	-	(25,471,817)	-
Transfer to Stage 02	(5,173,514)	5,963,189	(789,675)	-
Transfer to Stage 03	(12,317,040)	(11,160,911)	23,477,951	-
New Assets Originated or Purchased	21,305,866	218,325	203,728,495	225,252,686
Financial Assets Derecognised or Repaid	(44,490,392)	(20,350,955)	(357,518,476)	(422,359,823)
Write-offs	-	-	-	-
As at 31 March 2021	56,222,420	15,306,061	477,968,254	549,496,735



NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE

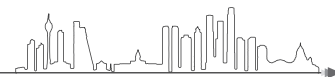
As at 31st March	2022			2021		
	Lease Rs.	Hire Purchase Rs.	Total Rs.	Lease Rs.	Hire Purchase Rs.	Total Rs.
Gross Rentals Receivable	145,786,603	560,356	146,346,959	248,497,540	487,325	248,984,865
Unearned Income	(23,375,900)	-	(23,375,900)	(49,833,516)	-	(49,833,516)
Net Rentals Receivable	122,410,703	560,356	122,971,059	198,664,024	487,325	199,151,349
Rentals Received in Advance	(523,444)	-	(523,444)	(1,985,719)	-	(1,985,719)
Allowance for Impairment Losses (Note 20.1)	(39,691,065)	(560,356)	(40,251,421)	(38,847,198)	(207,503)	(39,054,701)
	82,196,194	-	82,196,194	157,831,107	279,822	158,110,929

19.1 Contractual Maturity Analysis of Lease Rentals Receivable and Stock out on Hire

As at 31st March 2022	Lease				Hire Purchase			
	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Rentals Receivable	84,703,039	61,083,564	-	145,786,603	560,356	-	-	560,356
Unearned Income	(13,456,266)	(9,919,634)	-	(23,375,900)	-	-	-	-
Net Rentals Receivable	71,246,773	51,163,930	-	122,410,703	560,356	-	-	560,356
Rentals Received in Advance				(523,444)				-
Allowance for Impairment Losses (Note 20.1)				(39,691,065)				(560,356)
Total Net Rentals Receivable				82,196,194				-

As at 31st March 2021	Lease				Hire Purchase			
	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Rentals Receivable	117,559,437	130,938,103	-	248,497,540	487,325	-	-	487,325
Unearned Income	(28,516,405)	(21,317,111)	-	(49,833,516)	-	-	-	-
Net Rentals Receivable	89,043,032	109,620,992	-	198,664,024	487,325	-	-	487,325
Rentals Received in Advance				(1,985,719)				-
Allowance for Impairment Losses				(38,847,198)				(207,503)
Total Net Rentals Receivable				157,831,107				279,822

Our lease rentals receivable and stock out on hire are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.



19.2 Credit Exposure Movement - ECL Stage-wise

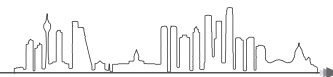
Lease Rentals Receivable and Stock out on Hire	2022				2021			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Gross Carrying Amount as at the Beginning of the Year	76,394,825	47,011,412	73,759,393	197,165,630	165,422,257	60,984,242	60,465,421	286,871,920
Transfer to Stage 01	6,526,021	(6,526,021)	-	-	7,009,467	(5,125,213)	(1,884,254)	-
Transfer to Stage 02	(10,987,144)	15,066,409	(4,079,265)	-	(28,965,404)	29,433,362	(467,958)	-
Transfer to Stage 03	(4,736,633)	(19,611,736)	24,348,369	-	(7,539,704)	(16,593,087)	24,132,791	-
New Assets Originated or Purchased	9,390,764	764,968	14,545,938	24,701,670	12,592,445	1,246,600	19,076,168	32,915,213
Financial Assets Derecognised or Repaid	(37,635,840)	(21,251,954)	(40,531,891)	(99,419,685)	(72,124,237)	(22,934,492)	(27,562,775)	(122,621,503)
Write-offs	-	-	-	-	-	-	-	-
As at the End of the Year	38,951,993	15,453,078	68,042,544	122,447,615	76,394,825	47,011,412	73,759,393	197,165,630

20. STAGE-WISE ANALYSIS OF THE ALLOWANCE FOR IMPAIRMENT LOSSES

As at 31st March	2022				2021			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
(a) As at the Beginning of the Year	1,548,068	12,281,111	163,301,039	177,130,218	7,390,670	9,683,063	154,666,325	171,740,058
Charge/(Reversal) for the Year	349,557	(7,748,434)	163,528,590	156,129,713	(5,842,602)	2,598,048	8,634,714	5,390,160
Reclassification of suspended interest to Impairment	-	(3,432,510)	22,057,160	18,624,650	-	-	-	-
As at the End of the Year	1,897,625	1,100,167	348,886,789	351,884,581	1,548,068	12,281,111	163,301,039	177,130,218
(b) Individual Impairment	-	-	348,886,789	348,886,789	-	-	103,134,861	103,134,861
Collective Impairment	1,897,625	1,100,167	-	2,997,792	1,548,068	12,281,111	60,166,178	73,995,357
Total	1,897,625	1,100,167	348,886,789	351,884,581	1,548,068	12,281,111	163,301,039	177,130,218
(c) Gross Amount of Loans Individually determined to be Impaired, before deducting the Individually Assessed Impairment Allowance	-	-	412,635,253	412,635,253	-	-	337,323,196	337,323,196
Gross Amount of Loans Collectively Assessed for the Impairment	216,770,340	59,342,209	-	276,112,549	132,617,246	62,317,472	214,404,451	409,339,169
Gross Receivables	216,770,340	59,342,209	412,635,253	688,747,802	132,617,246	62,317,472	551,727,647	746,662,365
Gross Amount of Loans Individually determined to be Impaired				59.91%				45.18%

20.1 Product-wise Analysis of the Allowance for Impairment Losses

As at 31st March	2022				2021			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Gold Loans	1,694,941	249,309	644,351	2,588,601	-	-	157,630	157,630
Vehicle Loans	17,763	-	14,431,057	14,448,820	54,739	449,117	9,510,316	10,014,172
Mortgage Loans	211	23,005	116,741,196	116,764,412	6,342	859	29,356,981	29,364,182
FD Loan	-	-	-	-	-	-	-	-
Micro Finance	-	-	7,924,933	7,924,933	-	-	8,114,292	8,114,292
Staff Loan	2,895	679	1,387,661	1,391,235	26,180	3,492	458,473	488,145
Business Loan	61,310	661,140	167,637,668	168,360,118	286,032	47,416	88,715,978	89,049,426
Personal Loan	-	-	155,041	155,041	2,743	-	98,858	101,601
Multi Draft	-	-	-	-	-	-	786,069	786,069
Loans and Receivables	1,777,120	934,133	308,921,907	311,633,160	376,036	500,884	137,198,597	138,075,517
Leases	120,505	166,034	39,404,526	39,691,065	1,172,032	11,780,227	25,894,939	38,847,198
Hire Purchase	-	-	560,356	560,356	-	-	207,503	207,503
Lease Rentals Receivable and Stock out on Hire	120,505	166,034	39,964,882	40,251,421	1,172,032	11,780,227	26,102,442	39,054,701
Total Allowance for Impairment Losses	1,897,625	1,100,167	348,886,789	351,884,581	1,548,068	12,281,111	163,301,039	177,130,218



NOTES TO THE FINANCIAL STATEMENTS

20.2 Stage Movements in Allowance for Impairment Losses

As at 31st March	2022				2021			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
(ECL) as at the Beginning of the Year	1,548,068	12,281,111	163,301,039	177,130,218	7,390,670	9,683,063	154,666,325	171,740,058
Transfer to Stage 01	1,000,853	(996,056)	(4,798)	-	5,710,731	(1,018,244)	(4,692,487)	-
Transfer to Stage 02	(365,183)	1,367,211	(1,002,028)	-	(1,787,404)	2,754,697	(967,293)	-
Transfer to Stage 03	(357,658)	(5,284,900)	5,642,558	-	(207)	(1,215,630)	1,215,837	-
New Assets Originated or Purchased	1,790,294	939,970	193,757,769	196,488,033	428,951	5,684,991	55,898,705	62,012,647
Financial Assets Derecognised or Repaid	(1,718,749)	(7,207,169)	(12,807,751)	(21,733,669)	(10,194,673)	(3,607,766)	(42,820,048)	(56,622,487)
As at the End of the Year	1,897,625	1,100,167	348,886,789	351,884,581	1,548,068	12,281,111	163,301,039	177,130,218

20.3 Sensitivity Analysis of Allowance for Impairment Losses

Changed Criteria	Changed Factor	Sensitivity Effect on Impairment Allowance Increase	
		2022 Rs.	2021 Rs.
Loss Given Default (LGD)	Increase by 10%	627,988	20,853,123
Probability of Default (PD)	Increase by 1%	94,039	553,009

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

As at 31st March	2022 Rs.	2021 Rs.
Equity Securities - Unquoted (Note 21.1)	2,500	2,500
Investment in Long Term Government Securities	-	532,989
	2,500	535,489

The company designated investments shown below as equity securities at Fair value through other comprehensive income. Because these equity securities represent investment that the company intend to hold for long term strategic purpose.

21.1 Equity Securities - Unquoted

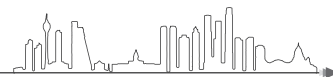
As at 31st March	2022			2021		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Credit Information Bureau of Sri Lanka	25	2,500	2,500	25	2,500	2,500
Entrust Securities PLC (Note 21.1.1)	100,000	5,157,120	-	100,000	5,157,120	-
Total	100,025	5,159,620	2,500	100,025	5,159,620	2,500

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

21.1.1 Fair Value of Unquoted Shares

The shares of the Entrust Securities PLC were delisted from 22 July 2020, due to non compliance with the Colombo Stock Exchange Listing rules. Hence, the carrying value of the Entrust Securities PLC shares have been fully provided due to irrecoverability.

No strategic Investments were disposed during the year 2021-2022 and there were no transfer of any cumulative gain or loss within equity relating to these Investment.



22. OTHER FINANCIAL ASSETS

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Investment in Reverse Repurchase Agreements	105,423,512	63,926,335
Investment in Fixed Deposits	20,087,671	55,303,361
Investment in Government Securities	9,958,660	-
	135,469,843	119,229,696

Investments in Reverse Repurchase Agreements have interest rates from 8.15% to 8.40% and mature within 06 months.

Investments in Fixed Deposits have interest rates at 5% and mature within 03 months.

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

The collateral value of repurchase agreements reflected on the Statement of Financial Position under other financial assets as at 31 March 2022 and 31 March 2021 was Rs. 136,224,125/- and Rs. 71,634,175/-, respectively.

23. OTHER NON FINANCIAL ASSETS

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Deposits and Prepayments	12,431,648	30,564,801
Value Added Tax Receivable	944,717	944,717
VAT on Financial Services	3,412,113	1,417,051
Debt Repayment Levy Receivable	1,761,594	1,761,594
ESC Receivable (Note 23.1)	-	1,132,952
Crop Insurance Levy Receivable	125,464	125,464
Other Receivables (Note 23.2)	18,859,033	8,735,788
Less: Provision for Other Receivables (Note 23.3)	-	(4,609,958)
	37,534,569	40,072,409

23.1 ESC paid in Y/A 2019-2020, carried forward of Rs. 1,132,952/- has been derecognised during the the financial year due to expiration of claimable periods of three years and charged to Profit or Loss.

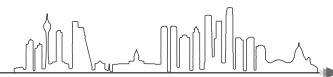
23.2 Other Receivables include the advance paid and receivables of Rs.18,135,399/- (2021 - Rs. 21,735,400/-) from two external consulting firms who were engaging in due diligence assignments to find an investor in order to meet minimum core capital requirement of the Company. Legal actions have already 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. As per the result of the legal actions taken against a consultant firm, a settlement agreement has been entered to recover the receivable balance of Rs. 18,184,000/-. During the financial year the company was able to recover Rs.3,600,000/- as per the settlement agreement.

23.3 Write Off of Other Receivable Balances

Carried forward Long outstanding receivable balances of Rs. 4,609,958/- were written off during the year due to the probability of recovery of such receivables are uncertain.

24. REPOSSESSED STOCK

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Reposessed Stock	-	4,552,002
Less: Provision for Decrease in Value	-	(461,732)
	-	4,090,270



NOTES TO THE FINANCIAL STATEMENTS

25. INVESTMENT PROPERTY

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Balance as at 1st April	68,333,000	66,785,500
Additions during the year	-	-
Disposal during the year	-	-
Change in fair value	2,817,000	1,547,500
Balance as at 31st March	71,150,000	68,333,000

25.1 Details of investment properties

Description of the Properties	Location	Valuation Technique	Extent	Name of the Valuer	Fair Value 2022	Fair Value 2021	Significant Unobservable Inputs	Interrelationship between Key Unobservable inputs and Fair Value Measurement
Land	Nattarampotha (Kandy)	Market approach	46.14 P	Vlr.H.B.M.Basnayaka AIV (Sri Lanka), N.C.T., QS, (COT), Incorporated Valuer	1,150,000	7,483,000	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. 25,000 per perch.)	The estimated fair value would increase/ (decrease) if - Market value per perch was higher/ (lower)
	Doratiyawa (Kurunegala)	Market approach	92.50 P	Vlr.H.B.M.Basnayaka AIV (Sri Lanka), N.C.T., QS, (COT), Incorporated Valuer	3,000,000	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. 32,500 per perch.)	
Condominium Apartment (01 unit)	Rajagiriya	Market approach	2386 sq.ft	Vlr.H.B.M.Basnayaka AIV (Sri Lanka), N.C.T., QS, (COT), Incorporated Valuer	67,000,000	58,000,000	Valuer has used investment method of valuation. Accordingly, Average rental value is to be estimated Rs.300,000 per month	The estimated fair value would increase/ (decrease) if - Market value per month was higher/ (lower)
					71,150,000	68,333,000		

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

25.2 Fair value hierarchy

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

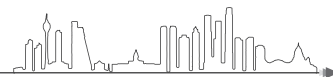
All the readily available information in the market have been taken into account for determining the fair value of the properties as at the reporting date by the Property Valuer.

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.

25.3 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.



25.4 Capitalisation of borrowing costs into investment properties

No borrowing cost capitalised for the year ended 31 March 2022 (2021 - Rs. Nil).

25.5 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.

25.6 Rental income recognised in Profit/Loss

No rental income was recognised from investment properties during the year.

25.7 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.

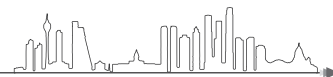
Company paid Rs. 1,196,195/- during the FY 2021/22 (2020/21 - 387,224/-) in relation to the annual maintenance services provided for the Condominium Apartment located in Rajagiriya.

26. DEFERRED TAXATION

As at 31st March	Asset		Liability		Net	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Property, Plant and Equipment and Right of Use Assets	(688,127)	(182,218)	-	-	(688,127)	(182,218)
Lease Rental Receivable	-	-	2,995,442	5,741,728	2,995,442	5,741,728
Retirement Benefit Obligation	(1,646,298)	(2,040,578)	-	-	(1,646,298)	(2,040,578)
Carried Forward Tax losses	(747,995)	(3,324,210)	-	-	(747,995)	(3,324,210)
Investment Property	-	(194,722)	86,978	-	86,978	(194,722)
	(3,082,420)	(5,741,728)	3,082,420	5,741,728	-	-

26.1 Reconciliation of Deferred Tax

	Balance 1st April 2020 Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance 31st March 2021 Rs.	Balance 1st April 2021 Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance 31st March 2022 Rs.
Liability								
Lease Rental Receivable	10,660,792	(4,919,064)	-	5,741,728	5,741,728	(2,746,286)	-	2,995,442
Investment Property	-	-	-	-	(194,722)	281,700	-	86,978
	10,660,792	(4,919,064)	-	5,741,728	5,547,006	(2,464,586)	-	3,082,420
Assets								
Retirement Benefit Obligation	(1,886,095)	4,107	(158,590)	(2,040,578)	(2,040,578)	394,280	-	(1,646,298)
Allowance for Loan Losses	(19,547,633)	19,547,633	-	-	-	-	-	-
Carried forward Tax Losses	(8,402,895)	5,078,685	-	(3,324,210)	(3,324,210)	2,576,215	-	(747,995)
Investment Property	(978,521)	783,799	-	(194,722)	-	-	-	-
Property, Plant and Equipment and Right of Use Assets	606,720	(788,938)	-	(182,218)	(182,218)	(505,909)	-	(688,127)
	(30,208,424)	24,625,286	(158,590)	(5,741,728)	(5,547,006)	2,464,586	-	(3,082,420)
	(19,547,632)	19,706,222	(158,590)	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

26.2 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	2022		2021	
	Gross amount Rs.	Tax effect Rs.	Gross amount Rs.	Tax effect Rs.
Carried Forward Tax Losses	357,164,109	85,719,386	304,330,722	73,039,373
Carried Forward Disallowed Impairment (including SLFRS 9 day one impact)	174,321,376	41,837,130	69,812,977	16,755,114
	531,485,485	127,556,516	374,143,699	89,794,487

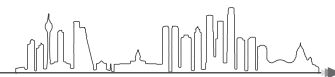
27. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE-ASSETS

27.1

As at 31st March 2022	Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Right-of- Use Assets Rs.	Total Rs.
Cost						
Balance at the beginning of the year	22,886,531	25,261,407	12,468,066	1,925,551	57,699,698	120,241,253
Additions during the year	32,400	23,000	-	-	1,222,405	1,277,805
Disposals during the year	-	(718,893)	(901,484)	-	-	(1,620,377)
Reclassification during the year	-	-	-	-	-	-
Remeasurement adjustment	-	-	-	-	(62,526)	(62,526)
Balance at the end of the year	22,918,931	24,565,514	11,566,582	1,925,551	58,859,577	119,836,155
Accumulated Depreciation						
Balance at the beginning of the year	19,469,301	18,188,165	11,159,576	1,724,740	30,297,604	80,839,386
Charge for the year	2,299,889	5,011,471	946,543	57,900	15,548,166	23,863,969
Disposal/Transfers during the year	-	(542,430)	(901,485)	-	-	(1,443,915)
Balance at the end of the year	21,769,190	22,657,206	11,204,634	1,782,640	45,845,770	103,259,440
Carrying Value as at 31st March 2022	1,149,741	1,908,308	361,948	142,911	13,013,807	16,576,715

27.2

As at 31st March 2021	Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Right-of- Use Assets Rs.	Total Rs.
Cost						
Balance at the beginning of the year	22,905,367	25,261,407	12,582,172	1,925,551	47,439,192	110,113,689
Additions during the year	59,238	-	-	-	10,260,506	10,319,744
Disposals during the year	(78,074)	-	(114,106)	-	-	(192,180)
Balance at the end of the year	22,886,531	25,261,407	12,468,066	1,925,551	57,699,698	120,241,253
Accumulated Depreciation						
Balance at the beginning of the year	16,686,348	12,666,698	10,137,718	1,639,269	15,112,448	56,242,481
Charge for the year	2,833,149	5,521,467	1,135,964	85,471	15,185,156	24,761,207
Disposal/Transfers during the year	(50,196)	-	(114,106)	-	-	(164,302)
Balance at the end of the year	19,469,301	18,188,165	11,159,576	1,724,740	30,297,604	80,839,386
Carrying Value as at 31st March 2021	3,417,230	7,073,242	1,308,490	200,811	27,402,094	39,401,866



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

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Description		
Computers	16,246,342	10,577,166
Furniture & Fittings	6,531,960	1,232,390
Office Equipment	9,252,427	6,995,152
Motor Vehicles	1,671,101	1,498,201
	33,701,830	20,302,909

27.4 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.

27.5 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.

27.6 Compensation from Third Parties for Items of Property, Plant and Equipment

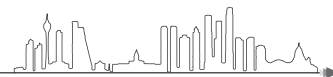
There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

27.7 Temporarily Idle Property, Plant and Equipments

The carrying amount of the temporarily idle property, plant and equipment is Rs. 209,245/- as at 31 March 2022 (Rs. 1,155,079/- as at 31 March 2021).

28. INTANGIBLE ASSETS

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Cost		
Balance at the beginning of the year	13,311,520	13,331,847
Additions and Improvements	1,097,725	-
Disposal during the period	-	(20,327)
Balance at the end of the year	14,409,245	13,311,520
Amortisation		
Balance at the beginning of the year	12,786,660	11,830,064
Charge for the year	615,074	976,921
Disposal during the period	-	(20,325)
Balance at the end of the year	13,401,734	12,786,660
Net Book Value as at 31 March	1,007,511	524,860



NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEPOSITORS

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Fixed Deposits	249,166,155	289,335,869
Saving Deposits	4,658,599	4,936,318
	253,824,754	294,272,187

29.1 Contractual Maturity Analysis of Customer Deposits

<i>As at 31 March 2022</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	42,797,692	206,368,463	-	249,166,155
Saving Deposits	4,658,599	-	-	4,658,599
	47,456,291	206,368,463	-	253,824,754

<i>As at 31 March 2021</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	44,134,606	245,201,263	-	289,335,869
Saving Deposits	4,936,318	-	-	4,936,318
	49,070,924	245,201,263	-	294,272,187

We have canvassed fixed deposits with a pre-termination option to the customers, so fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

30. OTHER FINANCIAL LIABILITIES

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Payable to Entrust Limited (Note 30.1)	22,493,493	24,743,634
Lease Liability (Note 30.2)	14,532,300	28,746,608
	37,025,793	53,490,242

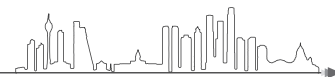
30.1 Payable to Entrust Limited

Amount payable to Entrust Limited (EL) includes cash collected and not yet remitted to EL amounting to Rs.22,493,493/- (2021- Rs. 24,743,634/-) in relation to the portfolio disposed during the year 2015. 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.

30.2 Lease Liability

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

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Balance as at 01 April	28,746,608	33,065,188
Additions	1,222,405	10,260,506
Interest on Lease Liabilities	2,357,510	3,149,911
Payments	(17,731,697)	(16,954,897)
Negative Lease Payments Due Rent Concessions	-	(774,100)
Remeasurement Adjustment	(62,526)	-
Balance as at 31 March	14,532,300	28,746,608



30.3 Sensitivity Analysis of Lease Liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Company.

<i>As at 31st March</i>	2022		2021	
Increase/(Decrease) in Incremental Borrowing Rate	Sensitivity Effect on Lease Liability Increase/(Reduction) in the Liability Rs.	Sensitivity Effect on Interest Expense Increase/(Reduction) in Profits for the Year Rs.	Sensitivity Effect on Lease Liability Increase/(Reduction) in the Liability Rs.	Sensitivity Effect on Interest Expense Increase/(Reduction) in Profits for the Year Rs.
1bp Up	(197,000)	160,474	(248,834)	468,461
1bp Down	253,662	(117,638)	382,322	(65,704)

30.4 Contractual Maturity Analysis of Lease Liability

<i>As at 31 March 2022</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Lease Liability	6,909,244	7,623,056	-	14,532,300

<i>As at 31 March 2021</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Lease Liability	14,194,863	14,551,745	-	28,746,608

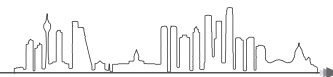
30.5 Undiscounted Maturity Analysis of Lease Liability

<i>As at 31 March 2022</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Lease Liability	8,068,575	8,300,240	-	16,368,815

<i>As at 31 March 2021</i>	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Lease Liability	16,488,198	16,368,815	-	32,857,013

31. OTHER NON FINANCIAL LIABILITIES

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Accrued Expenses	6,343,977	7,042,853
Withholding Tax	9,454	10,831
Stamp Duty	170,942	261,389
Other Payables	11,271,925	8,042,912
Amount due to Related Parties (Note 38)	-	1,539,733
	17,796,298	16,897,718



NOTES TO THE FINANCIAL STATEMENTS

32. POST EMPLOYMENT BENEFIT LIABILITY

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Balance at the beginning of the year	8,502,410	6,736,055
Amount charged/(reversed) for the year	3,707,986	1,870,864
Payments during the year	(838,230)	(765,300)
Amount recognised in Other Comprehensive Income (Note 32.2)	(4,512,590)	660,791
Balance at the end of the year	6,859,576	8,502,410

32.1 Expenses Recognised in the Statement of Profit or Loss

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Current service cost	3,557,257	1,197,259
Interest on obligation	603,671	673,605
Past service cost	(452,942)	-
	3,707,986	1,870,864

32.2 Remeasurement of Retirement Benefit Obligation recognised in the Statement of Other Comprehensive Income

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Experience adjustment	(3,240,235)	(420,708)
Demographic and financial assumptions	(1,272,355)	1,081,499
Remeasurement of retirement benefit obligation	(4,512,590)	660,791
Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	-	(158,590)

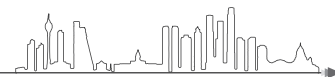
32.3 Defined Benefit Obligation Reconciliation

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Benefit Obligation at the End of Prior Year	8,502,410	6,736,055
Current Service Cost for the Year	3,557,257	1,197,259
Interest on Obligation	603,671	673,605
Past Service Cost	(452,942)	-
Liability Experience (Gains)/Losses Arising during the Year	(3,240,235)	(420,708)
Liability (Gains)/Losses due to Changes in Assumptions	(1,272,355)	1,081,499
Payments made during the Year	(838,230)	(765,300)
	6,859,576	8,502,410

32.4 During the year 2021/2022 the pension arrangement was adjusted to reflect new legal agreement, as per Minimum Retirement age of Worker Act no:28 of 2021 regarding the retirement age. As a result of plan amendment the company defined benefit obligation decreased by Rs.452,942/-. Corresponding past service cost was recognised in Profit or Loss during the year 2021/2022.

32.5 An Independent Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2022 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 LKAS 19 (Employee Benefits).



32.6 Average future working lifetime as per the assumptions made is 7.3 years as of 31 March 2022. (6.5 years as of 31 March 2021).

The key assumptions used by the actuary include the following;

As at 31st March	2022	2021
Rate of Interest (per annum)	15.00%	7.10%
Rate of Salary Increase (per annum)	10.00%	5.00%
Retirement Age	60 years	55 years
The company will continue as a going concern.		

Mortality - GA 1983 Mortality Table

Disability - Long Term Disability 1987 Soc. Sec. Table

Retirement Age - Normal Retirement Age (60 Years), or Age on Valuation Date, if greater

The liability is not externally funded.

32.7 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.

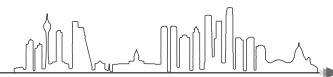
The sensitivity of the statement of profit or loss and other comprehensive income, statement of financial position, is the effect of the assumed changes in discount rate and salary increment rate as depicted below.

As at 31st March		2022		2021	
Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment	Sensitivity Effect on Statement of Comprehensive Income - Increase/ (Reduction) in Results for the Year Rs.	Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability Rs.	Sensitivity Effect on Statement of Comprehensive Income - Increase/ (Reduction) in Results for the Year Rs.	Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability Rs.
1%		361,256	(361,256)	412,310	(412,310)
-1%		(401,973)	401,973	(462,313)	462,313
	1%	(414,036)	414,036	(458,790)	458,790
	-1%	377,655	(377,655)	416,965	(416,965)

32.8 The Expected Benefit Payout in the Next 10 Years for Retirement Gratuity

As at 31st March	2022 Rs.
Within the Next 12 Months	639,426
Between 2 and 5 Years	8,083,218
Beyond 5 Years	7,271,614
	15,994,258

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



NOTES TO THE FINANCIAL STATEMENTS

33. STATED CAPITAL

<i>As at 31st March</i>	2022 Rs.	2021 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	898,375,289	898,375,289
(Ordinary Shares 63,610,181)		

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.

34. RESERVES

<i>As at 31st March</i>	As at 1 April 2021 Rs.	Movement/ Transfers Rs.	As at 31 March 2022 Rs.
General Reserve	11,266,050	-	11,266,050
Statutory Reserve	5,389,222	-	5,389,222
Fair Value Reserve	50,308	(50,308)	-
	16,705,580	(50,308)	16,655,272

34.1 General Reserve

<i>As at 31st March</i>	2022 Rs.	2021 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.

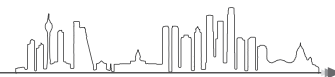
34.2 Statutory Reserve

<i>As at 31st March</i>	2022 Rs.	2021 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:

	% of Transfer to Reserve Fund
Capital Funds to Deposit Liabilities ;	
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%



34.3 Fair Value Reserve

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Balance at the beginning of the year	50,308	247,199
Impact of change in fair value	-	10,546
Realised gain on derecognition reclassified to Profit or Loss	(50,308)	(207,437)
Balance at the End of the Year	-	50,308

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. 600,000/- designated at FVOCI were derecognised on maturity. Thus cumulative gain of Rs. 50,308/- previously recognised in other comprehensive income reclassified from Fair Value Reserve to Profit or Loss.

35. RETAINED EARNINGS/(ACCUMULATED LOSSES)

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Balance as at the Beginning of the Year	(421,228,880)	(338,127,145)
Loss for the Year	(199,503,347)	(82,599,534)
Other Comprehensive Income, Net of Tax	4,512,590	(502,201)
Balance as at the End of the Year	(616,219,637)	(421,228,880)

36. FINANCIAL INSTRUMENTS

36.1 Valuation of Financial Instruments

Financial instruments recorded at fair values are determined by 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 Government securities and certain shares under Financial Assets 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 Assets 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 other than mentioned in note no. 21.1.1.

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

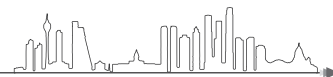
Determination of Fair Value and Fair Value Hierarchy

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.



NOTES TO THE FINANCIAL STATEMENTS

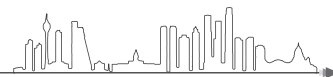
36.2 Fair Value Measurement

36.2.1 Fair Value Measurement Hierarchy - Financial Assets Measured at Fair Value

As at 31st March	Note	2022				2021			
		Fair Value Measurement Using			Total Fair Value	Fair Value Measurement Using			Total Fair Value
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.
Financial Assets Measured at Fair Value Through Other Comprehensive Income	21								
Government Securities		-	-	-	-	532,989	-	-	532,989
Unquoted Equities		-	-	2,500	2,500	-	-	2,500	2,500
		-	-	2,500	2,500	532,989	-	2,500	535,489

36.2.2 Fair Value Measurement Hierarchy - Financial Assets Measured at Amortised Cost

As at 31st March	Note	2022					2021				
		Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	Rs.
Cash and Cash Equivalents	17.1										
Notes and Coins Held		8,593,603	-	-	8,593,603	8,593,603	7,322,300	-	-	7,322,300	7,322,300
Balances with Banks		5,100,087	-	-	5,100,087	5,100,087	15,873,623	-	-	15,873,623	15,873,623
		13,693,690	-	-	13,693,690	13,693,690	23,195,923	-	-	23,195,923	23,195,923
Financial Assets at Amortised Cost - Loans and Receivables	18										
Gold Loans		-	-	207,746,819	207,746,819	207,746,819	-	-	168,438,990	168,438,990	168,438,990
Vehicle Loans		-	-	5,367,381	5,367,381	5,367,381	-	-	10,822,620	10,822,620	10,822,620
Mortgage Loans		-	-	33,945,292	33,945,292	33,945,292	-	-	122,690,905	122,690,905	122,690,905
FD Loan		-	-	1,137,358	1,137,358	1,137,358	-	-	13,960,180	13,960,180	13,960,180
Micro Finance		-	-	-	-	-	-	-	-	-	-
Staff Loan		-	-	799,640	799,640	799,640	-	-	5,632,535	5,632,535	5,632,535
Business Loan		-	-	5,670,537	5,670,537	5,670,537	-	-	87,745,207	87,745,207	87,745,207
Personal Loan		-	-	-	-	-	-	-	752,541	752,541	752,541
Multi Draft		-	-	-	-	-	-	-	1,378,240	1,378,240	1,378,240
		-	-	254,667,027	254,667,027	254,667,027	-	-	411,421,218	411,421,218	411,421,218



As at 31st March	Note	2022					2021				
		Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	Rs.
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	19										
Lease Rentals Receivable		-	-	82,196,194	82,196,194	82,196,194	-	-	157,831,107	157,831,107	157,831,107
Stock out on Hire		-	-	-	-	-	-	-	279,822	279,822	279,822
		-	-	82,196,194	82,196,194	82,196,194	-	-	158,110,929	158,110,929	158,110,929
Other Financial Assets	22										
Investments in Reverse Repurchase Agreements		-	105,423,512	-	105,423,512	105,423,512	-	63,926,335	-	63,926,335	63,926,335
Investment in Fixed Deposits		-	20,087,671	-	20,087,671	20,087,671	-	55,303,361	-	55,303,361	55,303,361
Investment in Government Securities		-	9,958,660	-	9,958,660	9,958,660	-	-	-	-	-
		-	135,469,843	-	135,469,843	135,469,843	-	119,229,696	-	119,229,696	119,229,696

36.2.3 Fair Value Measurement Hierarchy - Financial Liabilities Measured at Amortised Cost

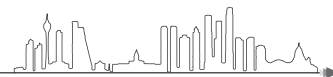
As at 31st March	Note	2022					2021				
		Fair Value Measurement Using			Total Fair Value		Fair Value Measurement Using			Total Fair Value	
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	
Due to Bank	17.2										
Bank Overdrafts		-	3,208,335	-	3,208,335		-	3,128,745	-	3,128,745	
		-	3,208,335	-	3,208,335		-	3,128,745	-	3,128,745	
Financial Liabilities at Amortised Cost - Due to Depositors	29										
Fixed Deposits		-	-	249,166,155	249,166,155		-	-	289,335,869	289,335,869	
Savings Deposits		-	-	4,658,599	4,658,599		-	-	4,936,318	4,936,318	
		-	-	253,824,754	253,824,754		-	-	294,272,187	294,272,187	
Other Financial Liabilities	30										
Payable to Entrust Limited		-	22,493,493	-	22,493,493		-	24,743,634	-	24,743,634	
Lease Liability		-	14,532,300	-	14,532,300		-	28,746,608	-	28,746,608	
		-	37,025,793	-	37,025,793		-	53,490,242	-	53,490,242	

36.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

During the year Company has not offset any financial assets and financial liabilities in the Statement of Financial Position.



NOTES TO THE FINANCIAL STATEMENTS

Offsetting of Financial Instruments

Offsetting of financial instruments based on the rights of set off relating to the financial instruments and cash collateral is as follows;

<i>As at 31st March 2022</i>	Gross Amount	Gross Amount Set off on the Statement of Financial Position	Net Amount Presented on the Statement of Financial Position	Cash Collateral*	Financial Instrument Collateral*	Net Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Liabilities						
Due to Depositors	253,824,754	-	253,824,754	-	1,137,358	252,687,396

<i>As at 31st March 2021</i>	Gross Amount	Gross Amount Set off on the Statement of Financial Position	Net Amount Presented on the Statement of Financial Position	Cash Collateral*	Financial Instrument Collateral*	Net Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Liabilities						
Due to Depositors	294,272,187	-	294,272,187	-	13,960,180	280,312,007

*The financial instruments and cash collateral amounts have been recorded at amortised cost. The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty.

37. RISK MANAGEMENT DISCLOSURES

37.1 Introduction and Overview

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for managing the risk exposures relating to his/her functional areas.

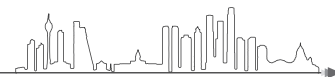
The Company identifies the following key financial risks in its business operations.

- Credit Risk
- Liquidity Risk
- Market Risk
- Capital Adequacy
- 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 committee 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.

37.2 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 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.

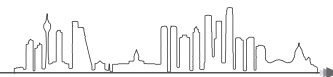
37.2.1 Analysis Of Credit Risk Exposure

The fair value of collateral for finance receivables is calculated based on the number of contracts multiplied by the loss severity and the Probability of Default (PD) percentage or the outstanding receivable balances multiplied by the Average Recovery Value (ARV) percentage to determine the fair value adjustment.

The following tables shows the maximum exposure to credit risk by class of financial asset. It further shows the net exposure to credit risk.

As at 31st March	2022		2021	
	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
Cash and Cash Equivalents	13,693,690	-	23,195,923	-
Loans and Receivables (Gross)	566,300,187	168,225,101	549,496,735	174,220,755
Lease Rentals Receivable and Stock out on Hire (Gross)	122,447,615	3,405,273	197,165,630	405,659
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,500	2,500	535,489	535,489
Other Financial Assets*	135,469,843	115,382,172	119,229,696	63,926,335
	837,913,835	287,015,046	889,623,474	239,088,239

*Net exposure of the Other Financial Assets mainly includes investment in Reverse Repurchase Agreement in banks. As at 31 March 2022, the net carrying value amount of those investments was Rs. 105,423,512/- (2021 - Rs. 63,926,335/-).



NOTES TO THE FINANCIAL STATEMENTS

37.2.2 Collateral and Other Credit Enhancements

The below tables provide an analysis of the values of collateral held and credit enhancements for Stage 03 assets. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery.

<i>As at 31st March 2022</i>	Maximum Exposure to Credit Risk Rs.	Movable Securities Rs.	Immovable Securities Rs.	Total Collateral Rs.	Net Exposure Rs.	Associated ECL Rs.
Loans and Receivables	344,592,709	28,000,000	381,027,500	409,027,500	(64,434,791)	308,921,907
Lease Rentals Receivable and Stock out on Hire	68,042,544	83,740,000	44,150,000	127,890,000	(59,847,456)	39,964,882
	412,635,253	111,740,000	425,177,500	536,917,500	(124,282,247)	348,886,789

<i>As at 31st March 2021</i>	Maximum Exposure to Credit Risk Rs.	Movable Securities Rs.	Immovable Securities Rs.	Total Collateral Rs.	Net Exposure Rs.	Associated ECL Rs.
Loans and Receivables	477,968,254	30,000,000	282,650,000	312,650,000	165,318,254	137,198,597
Lease Rentals Receivable and Stock out on Hire	73,759,393	99,935,000	44,150,000	144,085,000	(70,325,607)	26,102,442
	551,727,647	129,935,000	326,800,000	456,735,000	94,992,647	163,301,039

37.2.3 Credit Quality by Class of Financial Assets

<i>As at 31st March 2022</i>	Neither Past Due Nor Impaired* Rs.	Past Due But Not Impaired* Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Cash Equivalents	13,693,690	-	-	13,693,690
Loans and Receivables (Gross)	147,743,206	73,964,272	344,592,709	566,300,187
Lease Rentals Receivable and Stock out on Hire (Gross)	28,775,202	25,629,869	68,042,544	122,447,615
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,500	-	-	2,500
Other Financial Assets	135,469,843	-	-	135,469,843
	325,684,441	99,594,141	412,635,253	837,913,835

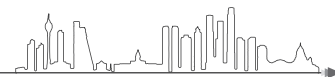
*Collectively assessed for the impairment

Aging Analysis of Past Due (i.e. Facilities in Arrears of 01 Day and Above) But Not Impaired Loans, by Class of Financial Assets

<i>As at 31st March 2022</i>	Past Due But Not Impaired			
	Less than 31 Days Rs.	31 - 60 Days Rs.	61 - 90 Days Rs.	Total Rs.
Loans and Receivables (Gross)	30,075,141	21,329,252	22,559,879	73,964,272
Lease Rentals Receivable and Stock out on Hire (Gross)	10,176,790	6,467,701	8,985,378	25,629,869
	40,251,931	27,796,953	31,545,257	99,594,141
	40%	28%	32%	100%

Past Due but not Impaired Loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, however as per the Company's assessment do not need to be individually impaired.



<i>As at 31st March 2021</i>	Neither Past Due Nor Impaired* Rs.	Past Due But Not Impaired* Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Cash Equivalents	23,195,923	-	-	23,195,923
Loans and Receivables (Gross)	29,696,401	225,447,855	294,352,479	549,496,735
Lease Rentals Receivable and Stock out on Hire (Gross)	31,381,076	114,805,486	50,979,068	197,165,630
Financial Assets Measured at Fair Value Through Other Comprehensive Income	535,489	-	-	535,489
Other Financial Assets	119,229,696	-	-	119,229,696
	204,038,585	340,253,341	345,331,547	889,623,473

*Collectively assessed for the impairment

Aging Analysis of Past Due (i.e. Facilities in Arrears of 01 Day and Above) But Not Impaired Loans, by Class of Financial Assets

<i>As at 31st March 2021</i>	Less than 31 Days Rs.	31 - 60 Days Rs.	61 - 90 Days Rs.	91 - 180 Days Rs.	More than 180 days Rs.	Total Rs.
Loans and Receivables (Gross)	23,610,602	1,722,315	15,905,033	18,756,244	165,453,661	225,447,855
Lease Rentals Receivable and Stock out on Hire (Gross)	15,674,155	15,778,747	16,092,773	53,024,026	14,235,785	114,805,486
	39,284,757	17,501,062	31,997,806	71,780,270	179,689,446	340,253,341
	12%	5%	9%	21%	53%	100%

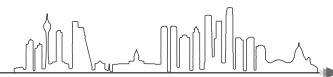
Past Due but not Impaired Loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, however as per the Company's assessment do not need to be individually impaired.

37.2.4 Concentration of Credit Risk

By setting various concentration limits under different criteria within the established risk appetite framework, the Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are monitored and reviewed by the Credit Committee, Credit Department and Integrated Risk Management Committee on a regular basis to capture the developments in market, regulatory and economic environment to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

The company monitors concentration of credit risk by sector and by geographic location. An analysis of risk concentration of financial assets based on industry sector and geographical location is given below.



NOTES TO THE FINANCIAL STATEMENTS

37.2.4 (a) Industry-wise Concentration

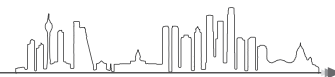
The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

<i>As at 31st March 2022</i>	Cash and Cash Equivalents	Loans and Receivables**	Lease Rentals Receivable and Stock out on Hire**	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
Sector-wise Breakdown	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	5,063,577	-	-	5,063,577
Manufacturing	-	4,895,510	11,386,927	-	-	16,282,437
Construction	-	15,455,824	2,560,625	-	-	18,016,449
Financial Services	13,693,690	-	657,730	-	135,469,843	149,821,263
Trading	-	3,175,698	22,752,708	2,500	-	25,930,906
Hotels	-	5,604,395	523,164	-	-	6,127,559
Services	-	225,535,600	39,251,463	-	-	264,787,063
Total	13,693,690	254,667,027	82,196,194	2,500	135,469,843	486,029,254

37.2.4 (b) Province-wise Concentration

**Provincial breakdown for (01) Loans and receivable (02) Lease rentals receivable and Stock out on hire from customers within Sri Lanka is as follows;

<i>As at 31st March 2022</i>	Loans and Receivables	Lease Rentals Receivable and Stock out on Hire	Total
	Rs.	Rs.	Rs.
Province			
Central	36,561,257	1,949,590	38,510,847
Eastern	-	-	-
North Central	3,387,129	15,195,368	18,582,497
North Western	21,254,446	3,485,410	24,739,856
Northern	-	-	-
Sabaragamuwa	30,057,441	3,631,052	33,688,493
Southern	13,799,331	11,752,505	25,551,836
Uva	-	-	-
Western	149,607,423	46,182,269	195,789,692
Total	254,667,027	82,196,194	336,863,221



37.2.4 (c) Industry-wise Concentration

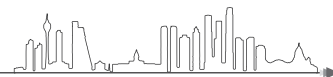
The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

<i>As at 31st March 2021</i>	Cash and Cash Equivalents	Loans and Receivables**	Lease Rentals Receivable and Stock out on Hire**	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
Sector-wise Breakdown	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	24,174,478	6,929,095	-	-	31,103,573
Manufacturing	-	34,187,164	15,183,764	-	-	49,370,928
Construction	-	23,556,049	17,453,703	-	-	41,009,752
Financial Services	23,195,923	792,554	1,317,527	-	119,229,696	144,535,700
Trading	-	97,724,041	50,839,180	535,489	-	149,098,710
Retail	-	-	-	-	-	-
Hotels	-	18,267,628	4,467,693	-	-	22,735,321
Services	-	212,719,304	61,919,967	-	-	274,639,271
Total	23,195,923	411,421,218	158,110,929	535,489	119,229,696	712,493,255

37.2.4 (d) Province-wise Concentration

**Provincial breakdown for (01) Loans and receivable (02) Lease rentals receivable and Stock out on hire from customers within Sri Lanka is as follows;

<i>As at 31st March 2021</i>	Loans and Receivables	Lease Rentals Receivable and Stock out on Hire	Total
Province	Rs.	Rs.	Rs.
Central	34,925,052	5,784,640	40,709,692
Eastern	-	-	-
North Central	21,698,551	29,483,709	51,182,260
North Western	40,725,264	11,564,586	52,289,850
Northern	-	-	-
Sabaragamuwa	41,609,843	10,131,934	51,741,777
Southern	19,840,476	19,511,319	39,351,795
Uva	-	-	-
Western	252,622,032	81,634,741	334,256,773
Total	411,421,218	158,110,929	569,532,147



NOTES TO THE FINANCIAL STATEMENTS

37.2.5 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.

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 analyse 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.

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 current financial year 2021/2022.

The Company considered 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 up to previous financial year 2020/2021.

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.

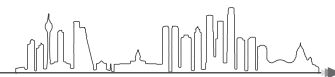
The scenario probability weightings applied in measuring ECL are as follows.

	2022		
	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.



Company Monitors credit concentration risk under product portfolios

	GDP Change	Inflation Rate	Interest rates	Unemployment Rate
Base Case - 5-year average				
2021	2.76%	5.46%	6.83%	4.66%
2020	2.92%	5.40%	6.31%	4.84%
Best Case - 5-year average				
2021	3.76%	4.46%	5.83%	3.66%
2020	3.92%	4.40%	5.31%	3.84%
Worst Case - 5-year average				
2021	1.76%	6.46%	7.83%	5.66%
2020	1.92%	6.40%	7.31%	5.84%

37.3 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 is 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.

To manage the expected liquidity drains the Company closely monitors the funding and recovery plans on daily basis. Further, the Company implemented stringent expense control measures and freeze all non-essential capital expenditure.

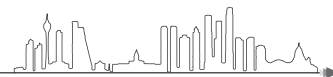
37.3.1 Exposure to Liquidity Risk

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

<i>As at 31st March</i>	2022	2021
Liquid Asset Ratio (LAR)		
Average for the year	43.35%	29.24%
Maximum for the year	48.62%	40.12%
Minimum for the year	35.54%	17.80%

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>	2022 Rs.	2021 Rs.
Cash in Hand	8,199,962	6,926,880
Balances in Current Accounts Free From Lien	592,663	789,188
Deposits in Commercial Banks Free From Lien	1,017,744	41,239,085
Central Bank of Sri Lanka Securities Maturing Within One Year and Free From Any Lien or Charge	105,825,001	55,825,001
Total Liquid Assets as at end of March	115,635,370	104,780,154



NOTES TO THE FINANCIAL STATEMENTS

37.3.2 Analysis of Liquidity Risk Exposure

37.3.2 (a) The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022

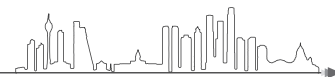
<i>As at 31st March 2022</i>	On Demand Rs.	Less than 3 Months Rs.	3 - 12 Months Rs.	1 - 5 years Rs.	Over 5 Years Rs.	Total Rs.	Carrying Amount Rs.
Financial Assets							
Cash and cash equivalents	13,693,690	-	-	-	-	13,693,690	13,693,690
Financial Assets at Amortised Cost - Loans and Receivables	250,456,603	226,332,098	49,644,151	69,443,920	7,116,109	602,992,881	254,667,027
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	28,286,783	14,845,076	41,608,099	61,083,564	179,078	146,002,600	82,196,194
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	2,500	2,500	2,500
Other Financial Assets	-	106,592,162	32,114,845	-	-	138,707,007	135,469,843
Total Financial Assets	292,437,076	347,769,336	123,367,095	130,527,484	7,297,687	901,398,678	486,029,254
Financial Liabilities							
Due to banks	3,208,335	-	-	-	-	3,208,335	3,208,335
Deposits Due to Customers	4,658,599	112,125,525	122,439,668	30,993,643	-	270,217,435	253,824,754
Other Financial Liabilities	22,493,493	2,815,800	5,252,775	8,300,240	-	38,862,308	37,025,793
Total Financial Liabilities	30,360,427	114,941,325	127,692,443	39,293,883	-	312,288,078	294,058,882

37.3.2 (b) The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2021

<i>As at 31st March 2021</i>	On Demand Rs.	Less than 3 Months Rs.	3 - 12 Months Rs.	1 - 5 years Rs.	Over 5 Years Rs.	Total Rs.	Carrying Amount Rs.
Financial Assets							
Cash and cash equivalents	23,195,923	-	-	-	-	23,195,923	23,195,923
Financial Assets at Amortised Cost - Loans and Receivables	279,588,562	122,716,679	76,425,388	112,793,292	14,203,508	605,727,429	411,421,218
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	25,852,106	23,421,731	66,787,206	130,938,103	-	246,999,146	158,110,929
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	649,500	-	-	2,500	652,000	535,489
Other Financial Assets	-	55,844,486	65,813,938	-	-	121,658,424	119,229,696
Total Financial Assets	328,636,591	202,632,396	209,026,532	243,731,395	14,206,008	998,232,922	712,493,255
Financial Liabilities							
Due to banks	3,128,745	-	-	-	-	3,128,745	3,128,745
Deposits Due to Customers	4,936,318	91,850,756	161,553,856	54,047,125	-	312,388,055	294,272,187
Other Financial Liabilities	24,743,634	4,369,949	12,118,248	16,368,815	-	57,600,646	53,490,242
Total Financial Liabilities	32,808,697	96,220,705	173,672,104	70,415,940	-	373,117,446	350,891,174

37.4 Market Risk

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, exchange rates, equity prices and commodity prices. Among them, interest rate risk has been identified as the most critical risk given Company's nature of business.



37.4. 1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; disbursing of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio, where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimising interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

37.4.2 Commodity Price Risk

Commodity price risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans business to Company's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk which is the primary source of credit risk associated with this product.

Company currently manages the credit and market risks arising from adverse movements in Gold prices by adopting the following strategies;

- Shorter product life: Company, as a credit risk management strategy lends for shorter periods allowing it to initiate its recovery process faster.
- Frequent revisions to Loan-to-Value (LTV) ratio: Company practices a process of revising advance offered per gold sovereign to reflect market value fluctuations to maintain the desired loan to value ratio.

37.4.3 Equity Price Risk

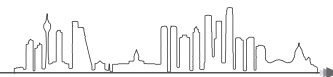
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

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 as shares were delisted from 22 July 2020, due to non compliance with the Colombo Stock Exchange Listing rules are fully impaired as mentioned in note no. 21.1.1.

37.4.4 Exchange Rate Risk

Exchange Rate 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 exchange rate risk arising from translation of such balance in to the functional/reporting currency, which is Sri Lankan Rupees.



NOTES TO THE FINANCIAL STATEMENTS

37.4.5 Interest Rate Sensitivity

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

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Rate Sensitive Assets (RSA)	473,377,950	700,533,917
Rate Sensitive Liabilities (RSL)	271,565,389	326,147,540
GAP (RSA-RSL)	201,812,561	374,386,377

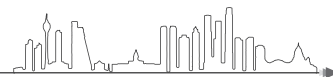
37.4.6 Interest Rate Risk Exposure on Financial Assets and Financial Liabilities

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

<i>As at 31st March 2022</i>	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Non-Interest Sensitive Rs.	Total Rs.
Financial Assets							
Cash and Cash Equivalents*	1,044,886	-	-	-	-	12,648,804	13,693,690
Loans and Receivables**	192,598,048	19,339,090	29,972,751	8,207,241	4,549,897	-	254,667,027
Lease Rentals Receivable and Stock out on Hire**	33,913,884	18,685,209	23,217,152	6,379,949	-	-	82,196,194
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	2,500	2,500
Other Financial Assets	104,198,812	31,271,031	-	-	-	-	135,469,843
Total Financial Assets	331,755,630	69,295,330	53,189,903	14,587,190	4,549,897	12,651,304	486,029,254
Financial Liabilities							
Due to banks	3,208,335	-	-	-	-	-	3,208,335
Deposits Due to Customers	113,604,642	115,019,808	14,835,958	10,364,346	-	-	253,824,754
Other Financial Liabilities	2,448,944	4,460,300	7,623,056	-	-	22,493,493	37,025,793
Total Financial Liabilities	119,261,921	119,480,108	22,459,014	10,364,346	-	22,493,493	294,058,882
Interest Sensitivity Gap	212,493,709	(50,184,778)	30,730,889	4,222,844	4,549,897	(9,842,189)	191,970,372

* Which is included the balance of savings accounts.

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



37.4.7 Interest Rate Risk Exposure on Financial Assets And Liabilities

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

<i>As at 31st March 2021</i>	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Non-Interest Sensitive Rs.	Total Rs.
Financial Assets							
Cash and Cash Equivalents*	11,239,085	-	-	-	-	11,956,838	23,195,923
Loans and Receivables**	344,129,244	18,672,092	24,472,050	18,954,772	5,193,060	-	411,421,218
Lease Rentals Receivable and Stock out on Hire**	42,751,119	34,252,512	74,609,675	6,497,623	-	-	158,110,929
Financial Assets Measured at Fair Value Through Other Comprehensive Income	532,989	-	-	-	-	2,500	535,489
Other Financial Assets	62,972,691	56,257,005	-	-	-	-	119,229,696
Total Financial Assets	461,625,128	109,181,609	99,081,725	25,452,395	5,193,060	11,959,338	712,493,255
Financial Liabilities							
Due to banks	3,128,745	-	-	-	-	-	3,128,745
Deposits Due to Customers	92,493,683	152,531,253	47,661,552	1,585,699	-	-	294,272,187
Other Financial Liabilities	3,651,583	10,543,280	12,458,246	2,093,499	-	24,743,634	53,490,242
Total Financial Liabilities	99,274,011	163,074,533	60,119,798	3,679,198	-	24,743,634	350,891,174
Interest Sensitivity Gap	362,351,117	(53,892,924)	38,961,927	21,773,197	5,193,060	(12,784,296)	361,602,081

* Which is included the balance of savings accounts.

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

37.5 Capital Adequacy

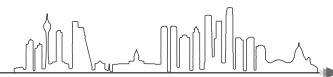
For a financial institution, capital is a buffer against insolvency. It is available to absorb unforeseen losses which will assure the sustainability of the Company's operations so the Company can remain in business. The more capital the Company has relative to the risks it takes, the more confidence the stakeholders are that it will meet its obligations to them. Company's capital management process is steered with the aim of holding sufficient capital to support the Company's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements.

Regulatory Capital

As per the Finance Business Act Direction No 3 of 2018, the Licensed Finance Companies (LFCs) with assets less than Rs.100 Bn are required to maintain a Total Capital Ratio of 12.50% and a Core Capital Ratio (Tier 1) of 8.50% by 1 July 2021. However, due to the stress on the Sri Lankan Financial System caused by the pandemic, the Central Bank of Sri Lanka (CBSL) has deferred the enhancements of these minimum capital adequacy requirements due by LFCs on 1 July 2020 and 1 July 2021, for a further period of one year until 1 July 2021 and 1 July 2022 respectively. Therefore, being a Domestic Systematically Important LFC, Company is required to maintain following minimum capital ratios within the stipulated time frames.

Components of Required Capital Adequacy Ratio (CAR)	1 July 2021	1 July 2022
Tier 1 Capital (%)	7.00%	8.50%
Total Capital (%)	11.00%	12.50%

As of 31 March 2022, the Company has maintained Risk Weighted Capital Adequacy Ratios above the CBSL's minimum capital adequacy requirements.



NOTES TO THE FINANCIAL STATEMENTS

37.6 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.

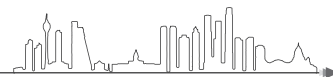
38. RELATED PARTY TRANSACTIONS

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', except that the key management have availed facilities under the loan schemes uniformly applicable to all the staff.

Details of related party transactions during the year are as follows;

The Company's parent undertaking is L B Finance PLC. The Company's ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka. The Company's ultimate controlling party is Mr. Dhammika Perera.

L B Finance PLC acquired 41,110,075 of ordinary shares constituting 64.63% of the total number of shares of Multi Finance PLC from Fairway Holding (Pvt) Ltd on 16 March 2022. Thus transactions carried out up to the date of acquisition with parties who were identified as related parties before the acquisition date are mentioned below.



38.1 Transactions Carried out with Related Parties Up to the Date of Acquisition (i.e. before 16 March 2022)

38.1.1 Transaction with related Companies.

Name of the Company	Nature of relationship	Nature of transactions	Amount (Paid) / Received	Amount (Paid) / Received
			2021/2022 (Up to 16.03.2022) Rs.	2020/2021 Rs.
For the period				
Fairway Holdings (Pvt) Ltd	Significant shareholder	Reimbursement of expenses	(862,095)	(1,282,786)
		Interest income recognised	-	845,562
Fairway Elements (Pvt) Ltd	Subsidiary of significant shareholder	Reimbursement of expenses	-	(36,170)
Lakderana Investments Limited.	Common Director	Building rent charges	(4,973,997)	(3,813,398)
		Reimbursement of expenses	-	(28,607)
		Reimbursement of expenses	407,608	278,613

* Above entities are ceased to be related parties from 16th March 2022.

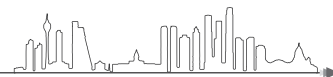
38.2 Transactions with Key Management Personnel (KMPs)

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.

38.3 Key Management Personnel Compensation

<i>As at 31st March</i>	2022 Rs.	2021 Rs.
Short-Term Employment Benefits	9,856,800	9,385,425
Directors' Fees and Expenses	3,000,000	1,125,000
Post Employment Benefit Liability	-	-
Total	12,856,800	10,510,425

In addition to the above, the Company has also paid non-cash benefits such as vehicles and fuel to Key Management Personnel in line with the approved employment benefits of the Company.



NOTES TO THE FINANCIAL STATEMENTS

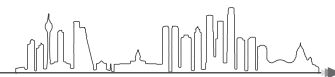
38.4 Transactions, Arrangements and Agreements Involving KMPs and Their Close Members of the Family (CMFs)

Items in Statement of Financial Position	Reported under		
As at 31st March		2022 Rs.	2021 Rs.
Liabilities			
Savings Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	28,712	9,963
Items in Income Statement	Reported under		
For the year ended 31 March		2022 Rs.	2021 Rs.
Interest Expense on Customer Deposits	Interest Expenses	862	402
Other Transactions			
For the year ended 31 March		2022 Rs.	2021 Rs.
Deposits Accepted During the Year		41,387	39,065

39. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31st March	2022			2021		
	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.
Assets						
Cash and cash equivalents	13,693,690	-	13,693,690	23,195,923	-	23,195,923
Financial Assets at Amortised Cost - Loans and Receivables	211,937,138	42,729,889	254,667,027	362,801,336	48,619,882	411,421,218
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	52,599,093	29,597,101	82,196,194	77,003,631	81,107,298	158,110,929
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	2,500	2,500	532,989	2,500	535,489
Other Financial Assets	135,469,843	-	135,469,843	119,229,696	-	119,229,696
Other Non Financial Assets	37,534,569	-	37,534,569	40,072,409	-	40,072,409
Repossessioned Stock	-	-	-	4,090,270	-	4,090,270
Current Tax Receivables	5,227,631	-	5,227,631	5,227,631	-	5,227,631
Investment Property	-	71,150,000	71,150,000	-	68,333,000	68,333,000
Deferred Tax Asset	-	-	-	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	-	16,576,715	16,576,715	-	39,401,866	39,401,866
Intangible assets	-	1,007,511	1,007,511	-	524,860	524,860
Total Assets	456,461,964	161,063,716	617,525,680	632,153,885	237,989,406	870,143,291
Liabilities						
Due to banks	3,208,335	-	3,208,335	3,128,745	-	3,128,745
Financial Liabilities at Amortised Cost - Due to Depositors	228,624,450	25,200,304	253,824,754	245,024,936	49,247,251	294,272,187
Other Financial Liabilities	29,402,737	7,623,056	37,025,793	38,938,497	14,551,745	53,490,242
Other Non Financial Liabilities	17,796,298	-	17,796,298	16,897,718	-	16,897,718
Post Employment Benefit Liability	-	6,859,576	6,859,576	-	8,502,410	8,502,410
Total Liabilities	279,031,820	39,682,936	318,714,756	303,989,896	72,301,406	376,291,302
Maturity Gap	177,430,144	121,380,780	298,810,924	328,163,989	165,688,000	493,851,989
Cumulative Gap	177,430,144	298,810,924	-	328,163,989	493,851,989	-



40. SEGMENTAL ANALYSIS

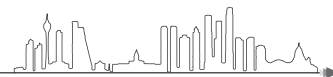
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the management 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 2021 or 2022.

There were no transactions between reportable segments in 2021 or 2022.

Year Ended 31st March	Lease and Stock out on Hire		Loans and Receivables		Others		Total	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest Income	34,012,077	38,120,491	70,659,057	81,495,732	6,782,835	6,974,255	111,453,969	126,590,478
Less: Interest Expenses	7,690,410	12,897,699	15,976,593	27,573,291	1,533,655	2,359,672	25,200,657	42,830,661
Net Interest Income	26,321,667	25,222,792	54,682,464	53,922,441	5,249,180	4,614,583	86,253,312	83,759,817
Fee and Commission Income	197,500	133,569	140,000	347,560	382,968	253,950	720,468	735,079
Other Operating Income	1,089,170	1,231,712	3,374,556	3,205,044	3,719,018	2,341,814	8,182,744	6,778,569
Total Operating Income	27,608,337	26,588,073	58,197,021	57,475,045	9,351,167	7,210,347	95,156,524	91,273,465
Less: Impairment Charges and Other Losses	(4,516,725)	(17,139,376)	160,646,438	22,529,536	(461,732)	(1,517,938)	155,667,981	3,872,222
Net Operating Income	32,125,062	43,727,449	(102,449,417)	34,945,509	9,812,899	8,728,285	(60,511,457)	87,401,243
Less: Other Costs	15,323,223	22,282,926	47,475,675	57,982,511	52,321,809	42,365,800	115,120,707	122,631,237
Less: Depreciation	3,176,431	4,499,279	9,841,479	11,707,596	10,846,059	8,554,332	23,863,969	24,761,207
Operating Profits Before Taxes	13,625,408	16,945,244	(159,766,571)	(34,744,598)	(53,354,970)	(42,191,847)	(199,496,133)	(59,991,201)
Less: Taxes	960	4,108,087	2,975	10,689,674	3,279	7,810,572	7,214	22,608,333
Profits for the Year	13,624,448	12,837,157	(159,769,546)	(45,434,272)	(53,358,249)	(50,002,419)	(199,503,347)	(82,599,534)
Segmental Assets	82,196,194	158,110,929	254,667,027	411,421,218	280,662,459	300,611,144	617,525,680	870,143,291
Segmental Liabilities	42,422,754	68,374,678	131,437,675	177,918,082	144,854,328	129,998,542	318,714,756	376,291,302
Cash Flows from Operating Activities	1,161,813	8,724,094	3,599,626	22,701,007	3,967,062	16,586,835	8,728,501	48,011,936
Cash Flows from Investing Activities	(77,019)	3,773	(238,625)	9,817	(262,983)	7,173	(578,627)	20,762
Cash Flows from Financing Activities	(2,360,190)	(3,080,820)	(7,312,536)	(8,016,616)	(8,058,971)	(5,857,462)	(17,731,697)	(16,954,897)
Capital Expenditure								
Property, Plant and Equipment	-	-	-	-	55,400	59,238	55,400	59,238
Intangible Assets	-	-	-	-	1,097,725	-	1,097,725	-



NOTES TO THE FINANCIAL STATEMENTS

41. COMMITMENTS

(a) Capital Commitments

The Company had no material Capital Commitments outstanding as at the Balance Sheet date.

(b) Financial Commitments

The Company had no Financial Commitments outstanding as at the Balance Sheet date.

(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 Facility	20,000,000	Other Financial Assets

42. CONTINGENCIES

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

43. EVENTS OCCURRING AFTER THE REPORTING PERIOD

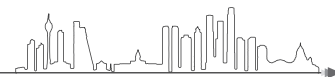
There have been no material events occurring after the reporting date, that require adjustments to or disclosure in the Financial Statements.

44. COMPARATIVE INFORMATION

Reclassification of comparative Information.

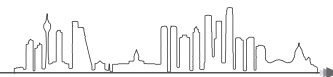
The presentation and classification of the Financial Statements of the previous year are amended for better presentation and to be comparable with those of the current year, in order to maintain the consistency with the group presentation.

	Note	As Previously Reported 2021 Rs.	Reclassification Rs.	Current Presentation 2021 Rs.
Income Statement				
Interest Income (Note 6)	(a), (b)	110,906,664	15,683,814	126,590,478
Fee and Commission Income (Note 8)	(a)	8,073,195	(7,338,116)	735,079
Other Operating income (Note 9)	(b)	15,124,267	(8,345,698)	6,778,569
Depreciation of Property, Plant and Equipment and Amortisation of Intangible Assets	(c)	(10,552,970)	10,552,970	-
Less: Amortisation of Intangible Assets (Note 12.2)		-	(976,921)	(976,921)
Net Amount			9,576,049	
Add: Amortisation of Leased Assets	(d)	(15,185,156)	15,185,156	-
Depreciation of Property, Plant and Equipments (Note 12.1)		-	(24,761,207)	(24,761,207)



	Note	As Previously Reported 2021 Rs.	Reclassification Rs.	Current Presentation 2021 Rs.
Statement of Financial Position				
Placements with Banks and other financial institutions	(e)	119,229,696	(119,229,696)	-
Rentals Receivable on Leased Assets	(f)	155,459,039	(155,459,039)	-
Rental receivable on Hire Purchase	(f)	151,434	(151,434)	-
Advances and Other Loans	(g)	400,621,794	(400,621,794)	-
Other Receivables	(h)	53,372,289	(53,372,289)	-
Right of use Assets	(i)	27,402,094	(27,402,094)	-
Property, Plant and Equipment	(i)	11,999,772	(11,999,772)	-
Financial Assets at Amortised Cost - Loans and Receivables (Note 18)		-	411,421,218	411,421,218
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire (Note 19)		-	158,110,929	158,110,929
Other Financial Assets (Note 22)		-	119,229,696	119,229,696
Other Non Financial Assets (Note 23)		-	40,072,409	40,072,409
Property, Plant and Equipment and Right-of-Use Assets (Note 27)		-	39,401,866	39,401,866
Other payables	(j)	41,641,352	(41,641,352)	-
Lease Liability	(k)	28,746,608	(28,746,608)	-
Other Financial Liabilities (Note 30)		-	53,490,242	53,490,242
Other Non Financial Liabilities (Note 31)		-	16,897,718	16,897,718
Total		838,624,078	-	838,624,078

- (a) Default Interest Income of Rs. 7,338,116 which was previously reported under 'Fee and Commission Income' has been re-arranged to 'Interest Income' to confirm to the current year presentation.
- (b) Termination Income of Rs. 8,345,698 recognised on Lease, Hire Purchase & Other Loans which were previously reported under 'Other Operating Income' has been re-arranged to 'Interest Income' to confirm to the current year presentation.
- (c) Amortisation of Intangible Assets of Rs.976,921 which was previously reported under 'Depreciation of Property, Plant and Equipment and Amortisation of Intangible Assets' has been re-arranged in a separate line in the Income Statement to confirm to the current year presentation.
- (d) Amortisation of Leased Assets of Rs.15,185,156 previously reported in a separate line in Income Statement has been included under 'Depreciation of Property, Plant and Equipments' to confirm to the current year presentation.
- (e) Placements with Banks and Other Financial Institutions of Rs. 119,229,696 reclassified to Other Financial Assets.
- (f) Rentals Receivable on Leased Assets Rs.155,459,039 and Rental receivable on Hire Purchase Rs.151,434 are reclassified as 'Financial Assets at Amortised Cost - Lease Rentals Receivable Stock out on Hire'.
- (g) Advances and Other Loans Rs.400,621,794 is reclassified as 'Financial Assets at Amortised Cost - Loans and Receivables'.
- (h) Other charges receivables in relation to Rental receivable on Leased assets and Stock out on Hire of Rs.2,500,457 and Other charges Receivables in relation to Advances and Other Loans of Rs.10,799,423 previously reported under Other Receivables have been re-arranged to 'Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire' and Financial Assets at Amortised Cost - Loans and Receivables' respectively . Rs.40,072,409 previously reported under Other Receivables have been re-arranged to Other Non Financial Assets.
- (i) Property, Plant and Equipment Rs.11,999,772 and Right of Use Asset Rs.27,402,094 presented in separate line items have been combined and re-arranged to Property, Plant and Equipment and Right-of-Use Assets.
- (j) Other payable of Rs. 41,641,352 re-arranged to Other Non Financial Liabilities (Note 31) of Rs.16,897,718 and Other Financial Liabilities (Note 30) of Rs.24,743,634/-.
- (k) Lease liability of Rs. 28,746,608 previously presented in a separate line item and Payable to Entrust Limited of Rs. 24,743,634 previously reported under other payable have been re-arranged to Other Financial Liabilities (Note 30).



NOTES TO THE FINANCIAL STATEMENTS

45. 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 2022, stands at Rs. 616,219,637 since the recorded profit in the FY 2014/2015, the Company incurred a loss for 7 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.

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.

Nevertheless, the Company has complied with the Central bank of Sri Lanka's Master Plan for consolidation of financial sector. Hence the acquisition by L B Finance PLC was taken place on 16 March 2022. Accordingly Multi Finance PLC is in the process of meeting core capital requirement imposed by Central Bank of Sri Lanka.

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 2022/2023 FY and in accordance with the guidelines/timelines to meet the requirement.

46. GOING CONCERN ASSESSMENT

As per the Central bank of Sri Lanka's Master plan for consolidation of Financial sector the majority shares of Multi Finance PLC which was held by Fairway Holdings (Pvt) Ltd were acquired by LB Finance PLC during the latter part of the financial year 2021/2022. This was carried out with the necessary approvals from the monetary board of Sri Lanka with the intention of meeting the mandatory core capital requirement of Rs. 2.5 bn. Considering the above the management is of the view that the Company will resolve the long drawn capital shortage issue and continue as going concern with satisfactory resources in order to continue its business operation for a foreseeable future. Therefore, the Financial Statements are prepared based on the Going Concern concept.

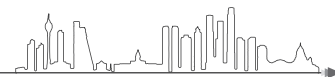
The Management is satisfied with its present favorable liquidity position and of the view that the Company is having sufficient cash flows to pay its obligations as and when they become payable for a period of preceding 12 months from the date of the Statement of Financial Position. This is evidenced by having excess liquidity over and above the regulatory requirement.

Moreover, considering the Company's existing strong managerial and financial controls and high level of compliance backed by its parent Company's financial strength, the management believes that the Company is in a strong position to meet its monthly and periodic Interest liabilities and also possible maturity and prematurity deposit withdrawals.

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.

The management is in the process of developing and implementing strategies and enhancing cost efficiencies through changes to the existing cost structures to improve employees productivity and financial performance.



INVESTOR INFORMATION

Top 20 Major Shareholders as at 31st March 2022

Serial No	Name	Ordinary Shares	%
1	L B Finance PLC	41,110,075	64.63
2	Entrust Holdings Limited	19,037,186	29.93
3	Mr. J. M. S. J. B. Palitha Peiris	290,571	0.46
4	Entrust Limited	186,000	0.29
5	Miss. R. W.K.C.M.M.A. Samadhie Ferdinando	132,948	0.21
6	Mr. K. D. K. Nayanajith Dhanannayake	104,697	0.16
7	Seylan Bank PLC/K. L. J. Prasanna Liyanage	103,318	0.16
8	Merchant Bank of Sri Lanka & Finance PLC/H S Sanjeeewa	100,000	0.16
9	Prime Lands (Pvt) Ltd	80,000	0.13
10	Fairway Holdings (Pvt) Ltd	74,065	0.12
11	Mr. Asoka Wijesiriwardane	56,066	0.09
12	Mr. G. H. A. Rukman De Silva	53,949	0.08
13	Mr. D. M. J. Nilantha Wijesekara	42,614	0.07
14	Mr. Wijitha Nanda Abeysuriya	42,425	0.07
15	Mr. J. M. Sandarasegara Rajah	41,234	0.06
16	Mr. W. A. D. A. Suranga Appuhamy	38,955	0.06
17	Mr. P. G. Wijayananda Sirisena	38,000	0.06
18	Mr. Ravindra Erle Rambukwelle	37,400	0.06
19	Mr. Kasilingam Linkesan	34,000	0.05
20	Mrs. M. M. Y. Kumari Perera/Miss. W.K.A.K. Fernando	33,349	0.05
	Directors' Shareholding	20,575	0.03
	Other Shareholding	1,952,754	3.07
	Total Shares	63,610,181	100.00

Public Holding

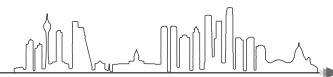
The Company has opted to adopt option 02 under the section 7.13.1 of the amended Listing Rules which are effective from 17 January 2018.

As at 31.03.2022						
Option	Float Adjusted Market Capitalisation (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. 0.27 Bn.	10%	35.34%	200	1072

Distribution of Shareholding as at 31st March 2022

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	739	180,502	0.28	6	2,700	0.004	745	183,202	0.29
1,001 To 10,000 Shares	259	944,406	1.48	2	9,000	0.01	261	953,406	1.50
10,001 To 100,000 Shares	61	1,508,778	2.37	0	-	0.00	61	1,508,778	2.37
100,001 To 1,000,000 Shares	5	817,534	1.29	0	-	0.00	5	817,534	1.29
Over 1,000,000 Shares	2	60,147,261	94.56	0	-	0.00	2	60,147,261	94.56
Total	1066	63,598,481	99.98	8	11,700	0.02	1074	63,610,181	100.00

Category	No of Shareholders	No of Shares	%
Institutional	52	60,939,699	95.80
Individual	1,022	2,670,482	4.20
Total	1,074	63,610,181	100.00



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 Fairway Holdings Pvt Ltd	41,110,075 74,065	64.74
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	Mr. Lekam Mudiyansele Amith Namal Lekamge	59,450	0.09
11	Mrs. Sarojani Gunasinghe	50,996	0.08
12	Bansei Securities Capital (Pvt) Ltd/L.N.D. Silva	50,000	0.08
13	Mr. Chandrasiri Thilak Maliduwa Pathirana	50,000	0.08
14	Mr. Pangiras Ariyaratnam Rajanikanth	43,800	0.07
15	Mr. Pallewattha Gamaralalage Wijayananda Sirisena	38,000	0.06
16	Mr. Kosala Munasinghe Dissanayake	32,600	0.05
17	Merchant Bank of Sri Lanka PLC/S M Pathiranage	32,515	0.05
18	Mr. Munhenage Shantha Sisil Chandra	32,199	0.05
19	Mrs. Menaka Priyadarshani Rajapakse	30,000	0.05
20	Mr. Nihal Winsley Everistus Perera	29,142	0.05
	Directors' Shareholding	20,575	0.03
	Other Shareholding	1,444,601	2.27
	Total Shares	63,610,181	100.00

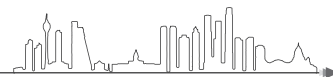
Public Holding

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

As at 31.03.2021						
Option	Float Adjusted Market Capitalisation (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

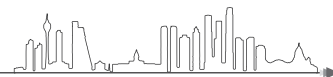
Directors Shareholding

	Name	As at 31.03.2022 Ordinary Shares	As at 31.03.2021 Ordinary Shares	
1	Mr. H.F.Imal Fonseka	Nil	Nil	Resigned w.e.f. 28 June 2022
2	Mr. P.Jayasundera (Director/CEO)	Nil	Nil	Ceased to be a director w.e.f. 28 June 2022
3	Mrs. C.J.Atapattu	20,575	20,575	Resigned w.e.f. 27 April 2022
4	Mrs. Dulani Thanuja De Alwis	Nil	Nil	Resigned w.e.f. 28 June 2022
5	Mr. Indraraj Ratnasabapathy	Nil	Nil	Resigned w.e.f. 28 June 2022
6	Mr. Jayana Prasad Polwatte	Nil	Nil	Resigned w.e.f. 28 June 2022



TEN YEAR SUMMARY

Results	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Operating Results (Rs.)										
Income	120,357,181	134,104,126	218,656,172	297,381,813	235,416,652	158,164,595	198,617,971	233,887,617	269,351,142	281,175,416
Interest income	111,453,969	126,590,478	194,714,866	271,332,009	204,173,082	129,814,440	168,078,273	189,857,966	250,602,989	270,556,066
Interest expenses	(25,200,657)	(42,830,661)	(82,822,173)	(100,065,423)	(64,892,696)	(53,608,993)	(64,692,882)	(118,827,943)	(157,023,597)	(158,547,932)
Net interest income	86,253,312	83,759,817	111,892,693	171,266,586	139,280,386	76,205,447	103,385,391	71,030,023	93,579,392	112,008,134
Other income	8,903,212	7,513,648	23,941,306	26,049,804	31,243,569	28,350,155	30,539,698	44,029,651	18,748,153	10,619,351
Impairment (charge)/reversal for loans and other losses	(155,667,981)	(3,872,222)	(26,694,551)	(42,774,119)	(45,958,055)	(25,329,710)	(1,981,929)	31,736,905	(3,147,853)	(14,839,405)
Net operating income/(Loss)	(60,511,457)	87,401,243	109,139,448	154,542,272	124,565,900	79,225,891	131,943,160	146,796,579	109,179,692	107,788,080
Total operating expenses	(138,984,676)	(147,392,444)	(212,561,984)	(224,719,570)	(152,623,764)	(123,655,658)	(135,830,480)	(142,602,043)	(158,205,362)	(163,074,024)
Profit/(Loss) before taxation	(199,503,347)	(62,893,311)	(103,991,253)	(78,619,422)	(33,938,242)	(46,046,898)	(8,398,498)	(1,101,831)	(49,067,598)	(55,285,944)
Profit/(Loss) for the period	(199,503,347)	(82,599,534)	(141,735,790)	(63,108,591)	(16,950,585)	(40,188,537)	(19,862,739)	12,546,406	(47,961,048)	(57,607,525)
* Net operating income/(Loss) has been arrived after deducting Impairment Charges for Loans and Other Losses for all periods presented.										
Financial Position (Rs.)										
ASSETS										
Cash and Cash Equivalents	13,693,690	23,195,923	6,356,430	41,943,205	94,163,856	639,038,484	167,097,091	129,639,500	87,015,666	277,314,934
Financial Assets at Amortised Cost - Loans and Receivables, Lease Rentals Receivable and Stock out on Hire	336,863,221	569,532,147	861,735,729	1,180,536,027	1,197,293,573	594,937,201	801,598,807	773,617,311	1,136,609,657	1,193,431,521
Financial Assets Measured at Fair Value Through Other Comprehensive Income/ Financial Investments - Available For Sale	2,500	535,489	2,084,089	8,103,623	8,071,749	10,733,062	12,855,704	1,821,724	1,565,210	1,713,921
Other Financial Assets	135,469,843	119,229,696	112,533,036	61,460,074	233,069,642	766,878	857,125	45,671,717	13,271,657	14,063,038
Other Non Financial Assets	42,762,200	49,390,310	70,306,810	84,508,077	55,643,104	34,096,685	38,132,985	46,246,476	114,249,247	85,224,819
Investment Property	71,150,000	68,333,000	66,785,500	16,142,750	-	-	-	-	-	-
Property, Plant and Equipment, Right-of-Use Assets and Intangible assets	17,584,226	39,926,726	55,372,991	34,434,212	13,844,200	8,569,955	5,808,335	13,734,065	25,631,448	29,816,079
Deferred Tax Asset	-	-	19,547,631	57,442,409	31,748,786	13,391,037	7,672,234	11,444,016	-	-
TOTAL ASSETS	617,525,680	870,143,291	1,194,722,216	1,484,570,377	1,633,834,910	1,301,533,302	1,034,022,281	1,022,174,809	1,378,342,885	1,601,564,312
LIABILITIES										
Due to Banks	3,208,335	3,128,745	17,367,053	48,509,429	75,126,583	43,175,437	28,225,054	10,943,456	13,900,650	7,491,829
Financial Liabilities at Amortised Cost - Due to Depositors	253,824,754	294,272,187	510,706,106	660,625,887	649,996,600	368,412,116	540,369,176	441,557,169	406,402,837	505,147,390
Other Financial and Non Financial Liabilities	54,822,091	70,387,960	82,762,387	52,058,157	97,768,754	61,250,068	148,501,327	233,688,271	635,344,852	717,655,401
Retirement Benefit Obligation	6,859,576	8,502,410	6,736,055	4,891,980	5,137,175	4,275,264	4,110,759	3,401,534	2,962,488	2,798,818
Deferred Tax Liability	-	-	-	-	-	-	-	-	2,132,051	3,238,601
TOTAL LIABILITIES	318,714,756	376,291,302	617,571,601	766,085,453	828,029,112	477,112,885	721,206,316	689,590,430	1,060,742,878	1,236,332,039
EQUITY										
Stated Capital	898,375,289	898,375,289	898,375,289	898,375,289	898,375,289	898,375,289	346,990,186	346,990,186	346,990,186	346,990,186
Reserves	16,655,272	16,705,580	16,902,471	16,887,324	16,936,211	18,670,209	18,621,183	18,907,657	21,315,529	21,315,529
Retained Earnings / (Accumulated Losses)	(616,219,637)	(421,228,880)	(338,127,145)	(196,777,689)	(109,505,702)	(92,625,081)	(52,795,404)	(33,313,464)	(50,705,708)	(3,073,442)
TOTAL EQUITY	298,810,924	493,851,989	577,150,615	718,484,924	805,805,798	824,420,417	312,815,965	332,584,379	317,600,007	365,232,273
TOTAL LIABILITIES AND EQUITY	617,525,680	870,143,291	1,194,722,216	1,484,570,377	1,633,834,910	1,301,533,302	1,034,022,281	1,022,174,809	1,378,342,885	1,601,564,312
Financial Indicators										
Return on Average Assets (after tax) (%)	(26.82)	(8.00)	(10.58)	(4.05)	(1.15)	(3.44)	(1.93)	1.05	(3.22)	(4.31)
Return on Average Shareholders' Funds (%)	(50.34)	(15.42)	(21.88)	(8.28)	(2.08)	(7.07)	(6.16)	3.86	(14.05)	(14.61)
Debt : Equity Ratio (Times)	0.01	0.01	0.03	0.07	0.09	0.05	0.09	0.03	0.04	0.02
Investor information (Rs.)										
Earnings/(Loss) per Share	(3.14)	(1.30)	(2.23)	(0.99)	(0.27)	(1.51)	(0.88)	0.56	(2.14)	(2.56)
Net Assets Value Per Share	4.70	7.76	9.07	11.30	12.67	12.96	13.93	14.81	14.14	16.26
Dividend per Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Highest Market Value per Share recorded during the Financial Year	35.00	13.60	19.90	21.00	17.20	20.90	29.00	32.20	17.00	31.20
Lowest Market Value per Share recorded during the Financial Year	5.50	6.10	8.50	9.20	11.00	10.90	7.20	19.50	17.00	21.50
Closing Market Value per Share at the end of Financial Year	12.10	7.00	8.60	17.30	13.80	13.80	11.40	21.40	17.00	22.00



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multi Finance PLC will be held on 21st September 2022 at 9.00 a.m. at the Auditorium of the Corporate Office of the L B Finance PLC No. 20, Dharmapala Mawatha, Colombo 03 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 2022 and the Report of the Auditors thereon.
2. Appointment of the following Directors subsequent to the last Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.
 - (a) Mr.G.A.R.D.Prasanna being eligible offers himself for re-election as a Director of the Company.
 - (b) Mr. M.A.J.W. Jayasekara being eligible offers himself for re-election as a Director of the Company.
 - (c) Mr. Niroshan Udage being eligible offers himself for re-election as a Director of the Company.
 - (d) Mr. B.D.A. Perera being eligible offers himself for re-election as a Director of the Company.
 - (e) Mr. R.S. Yatawara being eligible offers himself for re-election as a Director of the Company.
 - (f) Mr. Dharmadasa Rangalle being eligible offers himself for re-election as a Director of the Company.
 - (g) Mrs. Ashwini Natesan being eligible offers herself for re-election as a Director of the Company.
 - (h) Ms. Yanika Amarasekera being eligible offers herself for re-election as a Director of the Company.
 - (i) Mrs. Yogadinusha Bhaskaran being eligible offers herself for re-election as a Director of the Company.
3. Appointment of a Non-Executive Director in terms of Section 211 of the Companies Act No. 7 of 2007.
Mr. J.A.S.S. Adhihetty who is 72 years of age be appointed as a Director to the Board of Directors of the Company as per approval granted by Central Bank of Sri Lanka.
The following resolution to be passed for the above purpose., if though fit.
IT IS HEREBY RESOLVED that Mr. J.A.S.S. Adhihetty who is 72 years of age be appointed as a Director to the Board of Directors of the Company in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to said Mr. J.A.S.S. Adhihetty.
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

Multi Finance PLC

Business Intelligence (Private) Limited

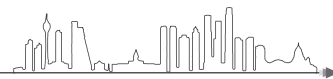
Company Secretaries

Colombo

31st August 2022

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 No.275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07 or e-mailed to asirini@msl.lk not less than forty-seven (47) hours prior to the time appointed for holding the meeting.



NIC/Member No.

FORM OF PROXY

I/we the undersignedbearing
 NIC no..... of
 being a member / members of
 Multi Finance PLC, hereby appoint

- Full name of proxy –
- NIC of proxy –
- Address of Proxy –
- Contact Numbers – Land –, Mobile –
- Email address –

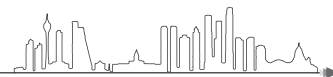
or failing him/ her

Mr. G.A.R.D. Prasanna	or failing him
Mr. M.A.J.W. Jayasekara	or failing him
Mr. Niroshan Udage	or failing him
Mr. B.D.A. Perera	or failing him
Mr. R.S. Yatawara	or failing him
Mr. Dharmadasa Rangalle	or failing him
Mrs. Ashwini Natesan	or failing her
Ms. Yanika Amarasekera	or failing her
Mrs. Yogadinusha Bhaskaran	

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 21st September 2022 at 9.00 a.m. at the Auditorium of the Corporate Office of the L B Finance PLC No. 20, Dharmapala Mawatha, Colombo 03 and at any adjournment thereof, and at every poll which may be taken in consequence, thereof.

	For	Against
1) Receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2022 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To appoint as a Director Mr. G.A.R.D. Prasanna who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
3) To appoint as a Director Mr. M.A.J.W. Jayasekara who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4) To appoint as a Director Mr. Niroshan Udage who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
5) To appoint as a Director Mr. B.D.A. Perera who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
6) To appoint as a Director Mr. R.S. Yatawara who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
7) To appoint as a Director Mr. Dharmadasa Rangalle who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
8) To appoint as a Director Mrs. Ashwini Natesan who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers herself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>





FORM OF PROXY

- 9) To appoint as a Director Ms. Yanika Amarasekera who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers herself for re-election.
- 10) To appoint as a Director Mrs. Yogadinusha Bhaskaran who was appointed to the Board subsequent to the last annual General Meeting in terms of Article 94 of the Articles of Association and being eligible offers herself for re-election.
- 11) Appointment of a Directors in terms of section 211 of the Companies Act no 7 of 2007.
IT IS HEREBY RESOLVED that Mr. J.A.S.S. Adhihetty who is 72 years of age be appointed as a Director to the Board of Directors of the Company in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to said Mr. J.A.S.S. Adhihetty.
- 12) Re-appointment of the Auditors KPMG and to authorize the Board of Directors to determine their remuneration.
- 13) To authorize Directors to determine contribution to Charities.
- 14) To consider any other business of which due notice has been given.

Signed this.....day of2022.

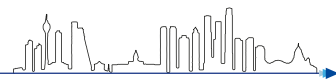
.....
Signature of Shareholder

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/she thinks fit.

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 No.275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07 or e-mailed to 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.

Credit Rating (Issuer Rating)

[SL] C+ (Negative) from ICRA Lanka Ltd

Accounting Year-end

31st March 2022

Board of Directors

Mr. G.A.R.D. Prasanna	– Chairman/Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mr. M.A.J.W. Jayasekara	– Independent Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mr. Niroshan Udage	– Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mr. B.D.A. Perera	– Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mr. R.S. Yatawara	– Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mr. Dharmadasa Rangalle	– Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mrs. Ashwini Natesan	– Independent Non-Executive Director (Appointed w.e.f. 18th May 2022)
Ms. Yanika Amarasekera	– Independent Non-Executive Director (Appointed w.e.f. 18th May 2022)
Mrs. Yogadinusha Bhaskaran	– Non-Executive Director (Appointed w.e.f. 21st July 2022)

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

No.275/75,
Prof. Stanley Wijesundera Mawatha,
Colombo 07

Tel : 011-2 200 000

Fax : 011-5 345 327

E-mail : info@multifinance.lk

Website : www.multifinance.lk



MULTI
FINANCE

Multi Finance PLC

No.275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07