



MULTI  
FINANCE

We enable  
sustainable transactions





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this annual report  
online at  
[www.multifinance.lk](http://www.multifinance.lk)

## We enable sustainable transactions

At Multi Finance, we are mindful about the environment in which we operate. In everything we do, we are aware of the responsibility we hold towards the planet, which is why we have embarked on a five year sustainability project which we believe will create a powerful impact on the environment, improve quality of life and uplift the nation's economy – one which will undoubtedly bear fruit in the days and years to come.

We believe that the simple action of planting a single seed can reap lifelong benefits that will span across generations. Our aim is to enable sustainable transactions – and in doing so, to build on our deep-rooted values to create wealth and generate unparalleled value for the thousands of stakeholders we partner.

# *our* VISION

To be the first choice  
for financial solutions.

## CONTENTS

### About the Company

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About Multi Finance PLC	/ 2
Each One Plant One Enabling Sustainable Transactions	/ 4
What We do....	/ 8
Financial Highlights	/ 10
Honours & Achievements	/ 12

### Management Information

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Message from Chairman	/ 14
Message from Chief Executive Officer	/ 20
Board of Directors	/ 26
Senior Management Team	/ 32
Management Team	/ 34
Management Discussion and Analysis	/ 36

### Governance Reports

---

Corporate Governance	/ 46
Report of the Integrated Risk Management Committee	/ 67
Report of the Audit Committee	/ 69
Report of the Remuneration Committee	/ 72
Related Party Transaction Review Committee (Rptrc)	/ 73
Annual Report of the Board of Directors on the Affairs of the Company	/ 74

### Financial Reports

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Statement of Directors' Responsibility	/ 80
Independent Auditor's Report on Internal Control over Financial Reporting	/ 81
Directors' Statement on Internal Control Over Financial Reporting	/ 82
Independent Auditor's Report	/ 83
Statement of Profit or Loss and Other Comprehensive Income	/ 86
Statement of Financial Position	/ 87
Statement of Changes in Equity	/ 88
Statement of Cash Flows	/ 89
Notes to the Financial Statements	/ 90

### Supplementary Information

---

Investor Information	/ 132
Notice of Annual General Meeting	/ 134
Form of Proxy	/ 135

# *our* 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 recognized for our expertise and professionalism.

## *about* MULTI FINANCE PLC

Multi Finance PLC (MFPLC) is a licensed Finance Company under the Central Bank of Sri Lanka. The Company was incorporated on the 14th of October 1974 as a public 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.

Multi Finance PLC has long been a source of strength and support for people to grow. For over forty three (43) 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 realized 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 grass root 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, pawning, 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.

# EACH ONE PLANT ONE

*Enabling sustainable transactions*



“

*A new paradigm in social enterprise — linking people, profit and planet within sustainable, profit driven, socially and environmentally conscious business models geared towards a single goal — the reforestation of our nation.”*

Over the past year, Multi Finance PLC has undergone a realignment in its business model from one that follows the traditional model of financial services, to a more evolutionary system that focuses on the promotion of social and environmental paradigms that are firmly yet sustainably linked to commercial enterprise and profitability. These values have culminated in the formation and launch of Multi Finance's flagship eco-sustainability project: 'Each One Plant One' — a groundbreaking initiative that aims to directly and meaningfully contribute towards the reforestation of our island, thereby addressing and helping to resolve one of the most serious environmental issues facing our nation.

Having entered into partnerships with leading local non-profits ReForest Sri Lanka and The Rainforest Protectors of Sri Lanka, Multi Finance PLC has pledged to plant 10 trees for every single transaction it carries out, while encouraging and advocating for further donations from its own staff, and customers, the proceeds of which will be channeled directly into a special fund for continuous reforestation projects across the country over the next five years as part of an ambitious plan to plant and maintain a minimum of 200,000 saplings.

During the year in review, the Each One Plant One campaign was launched on World Forest Day, on the 21st of March 2018, with the planting of 1,000 saplings Karanda and Kohomba along

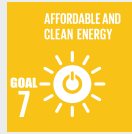




# United Nations - Sustainable Development GOALS



Ensure availability and sustainable management of water and sanitation for all



Ensure access to affordable, reliable, sustainable and modern energy for all



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



## Why Trees Are Important?



Protects us from global warming climatic changes and natural disasters

Avoids air pollution & keeps us healthy

They supply the Oxygen we breathe

Provides us shelter

A habitat for wild animals

Forests provide 75% of the water we consume.

*each one plant one  
enabling sustainable transactions*

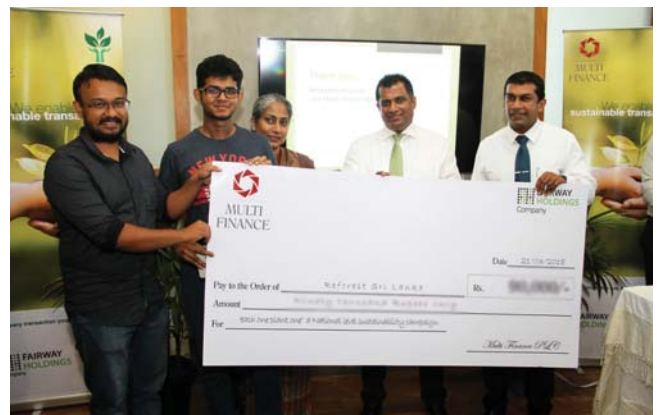
## *Customer contributes to plant 10 trees to the Nation with every transaction made with MFPLC*

the Southern Expressway as part of its preliminary phase. Already drawing enthusiastic participation from senior management and employees of MFPLC, the company will continue to engage with its non-profit partners in order to conserve these plants and ensure their complete growth into large, fully grown trees.

MFPLC over the course of the coming year plans to activate a two-pronged initiative aligning with the UN goals of Action and Awareness for the protection of the environment. Continuing with this monumental five-year nationwide reforestation campaign with a kick-off to the second phase of the project with the reforestation of a 7-acre land area at Ilukpathakanda, Kalawana area, Ratnapura District with an aim of planting 3,500 native saplings.

In order to help rehabilitate lost habitats for the country's diverse flora and fauna while bolstering carbon fixation thereby helping to improve, enhance and conserve Sri Lanka's rich biodiversity for future generations.

These efforts will also be linked to enterprise in a manner that builds awareness and encourages engagement with a wide group of stakeholders. Moving forward, Multi Finance will organize multiple events throughout the calendar year in furtherance of this goal, providing a social incentive and a moral imperative for all Sri Lankans to engage in this vital campaign while aligning its core businesses to similarly promote modes of lifestyle, behavior and consumption that further the environmental security and natural capital of our nation.



Having entered into partnerships with leading local non-profits ReForest Sri Lanka and The Rainforest Protectors of Sri Lanka



“

*MFPLC kicked off their nationwide eco-sustainability campaign on the 30th of March 2018, planting 1000 saplings along the Southern Expressway as its introductory phase.”*



Planting of 1,000 saplings along the Southern Expressway

# What we DO

## Fixed Deposits



A part of our core range of products, we have built up 43 years of trust around our fixed deposit products. Offering higher guaranteed return on investment and flexibility on terms and conditions, our fixed deposits are the best path to a stable secure future.

## Suraksha Savings accounts



Our general savings account that offers a high yield for your hard earned money, the Suraksha account allows for unlimited withdrawals and also offers a special rate for senior citizens while enabling further special rates for leasing and loan facilities.

## Muthuhara Savings accounts



Our children's savings account, Muthuhara gives higher returns that grow with your child. In addition to protecting and growing your investment, Muthuhara comes with a medical insurance package and also gives you the ability to withdraw money for your child's educational and medical requirements.

## Leasing



Presenting the ideal opportunity for you to capture your dream vehicle, we offer flexible repayment plans to suite any budget. Offering facilities within 6 hours, our personalised service is delivered speedily and with the utmost professionalism.

## Hire Purchase



Our hire-purchase services offer flexible repayment plans tailored to suit the financing requirements of our individual clients. Our branch network, spreads across major Sri Lankan cities, offers financing for any type of vehicle and our services in this field are highly sought after.

## Gold Loans



Our Gold Loan facilities are designed to satisfy the urgent financial requirements of our clients. We ensure confidentiality and security for all transactions while delivering the highest value for your articles at the lowest interest rates.



“

*All of our products are designed with Stability, sustainability and optimized value generation in mind. These concepts are embedded across the breadth of our product portfolio in order to ensure that our valued customers are provided with efficient, impactful solutions to meet their every requirement. Over the year in review, this portfolio continued to expand with the addition of Educational and Personal loans, over and above the introduction of new digitally-enabled services.*”

### Business Loans



Ideal for catering to the short-term working capital requirements of a range of corporate clients, our structured payment patterns enable speedy cheque disbursement with minimum waiting time.

### Micro Finance



A fast-growing business segment, our micro finance products are focused on elevating living standards and livelihoods of underprivileged rural micro-industrialists. Offering capital and advisory services our products are aimed at creating a vibrant entrepreneurial culture among Sri Lanka's small and medium enterprises through best-in-class lending practices.

### Multi Draft



Multi Draft (MD) is a short term revolving loan facility introduced aiming the SME sector. This product can be placed in between a bank Temporary Overdraft (TOD) and short term loan. Multi Draft enables business owners to raise short term working capital for their business activities less than a OD rate applied by Commercial Banks.

### Personal Loans



Personal Loan facility designed for the permanent income holders to meet their life challenges in the most efficient way to meet their immediate financial requirements.

### Educational Loans



This loan is a financial facility designed to help students to pay their post-secondary educational expenses. Mainly targeting the parents / employees who are having the capability of meeting the monthly payment but not the full course fee at once.

### Trader Finance



This is an exclusive product of Multi Finance PLC that caters to the cash requirements of micro traders. We have a unique system of analyzing and providing short term financial facilities for traders within twenty four hours.

# financial HIGHLIGHTS

For the year ended 31st March

	2018 Rs.	2017 Rs.	Change %
<b>Results</b>			
<b>Operating Results - Income Statement</b>			
Income	235,416,652	158,164,595	48.84
Net Interest Income	139,280,386	77,483,051	79.76
Net Income from Operations	170,523,956	104,555,602	63.09
Net Profit/(Loss) after Tax	(16,950,585)	(40,188,537)	(57.82)
Accumulated Profit/(Loss)	(109,505,702)	(92,625,081)	18.22
<b>Financial Position</b>			
Total Assets	1,633,834,910	1,301,533,302	25.53
Interest Earning Assets	1,495,863,216	669,837,200	123.32
Lending Portfolio	1,197,293,573	594,937,200	101.25
Share Holders' Funds	805,805,798	824,420,417	(2.26)
Public Deposits	649,996,600	368,412,116	76.43
Borrowings	16,234,384	55,455,656	(70.73)
<b>Ratios</b>			
Earnings/(Loss) per Share	(0.27)	(1.51)	(82.34)
Dividend per Share	-	-	-
Net Assets Value Per Share	12.67	12.96	(2.26)
Return on Average Shareholders' Funds (%)	(2.08)	(7.07)	(70.58)
Debt Equity Ratio	0.02	0.07	(70.05)

As at 31st March 2018

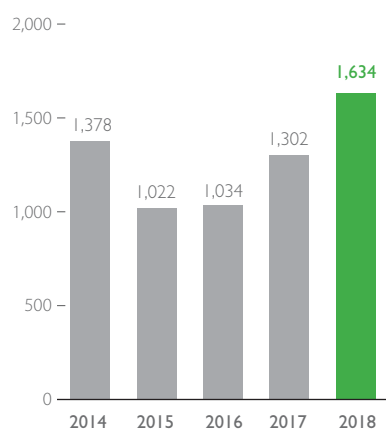
	Minimum Requirement	Actual
<b>Statutory Ratios (%) / Requirements</b>		
Core Capital Ratio	5%	66.37%
Total Risk Weighted Capital Ratio	10%	66.37%
Liquid Assets		15.14%

Market Value per Share

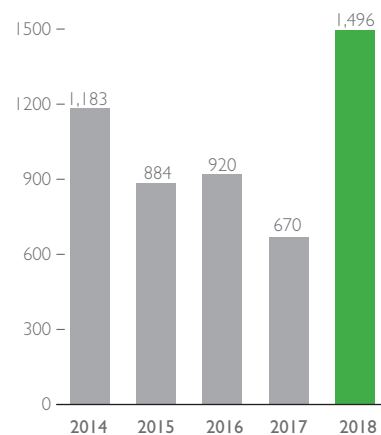
	Rs.
Highest value recorded during the Financial Year	17.20
Lowest value recorded during the Financial Year	11.00
Closing value at the end of Financial Year	13.80

**Total Assets**

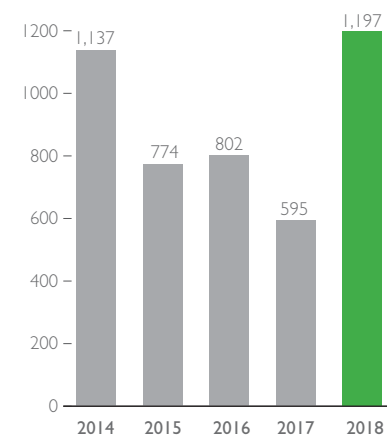
Rs. Mn.

**Interest Earning Assets**

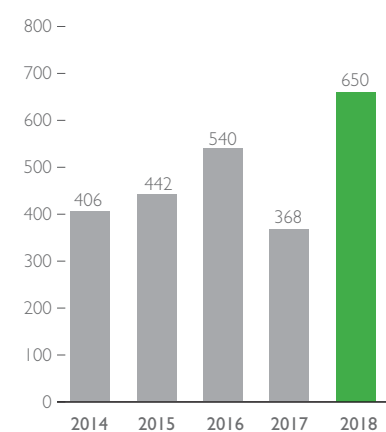
Rs. Mn.

**Lending Portfolio**

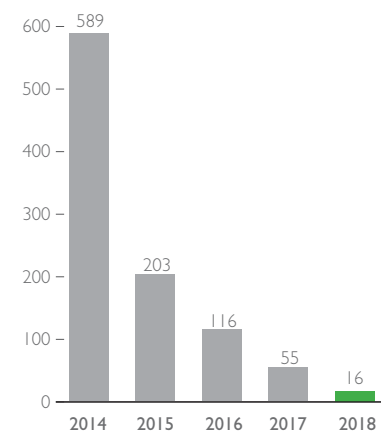
Rs. Mn.

**Public Deposits**

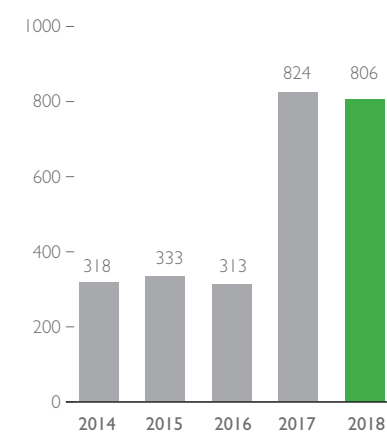
Rs. Mn.

**Borrowings**

Rs. Mn.

**Share Holders' Funds**

Rs. Mn.

**TOTAL ASSETS**

**1,634** Mn **25.5%** ↑

**TOTAL INCOME**

**235** Mn **48.8%** ↑

**LENDING PORTFOLIO**

**1,197** Mn **101.2%** ↑



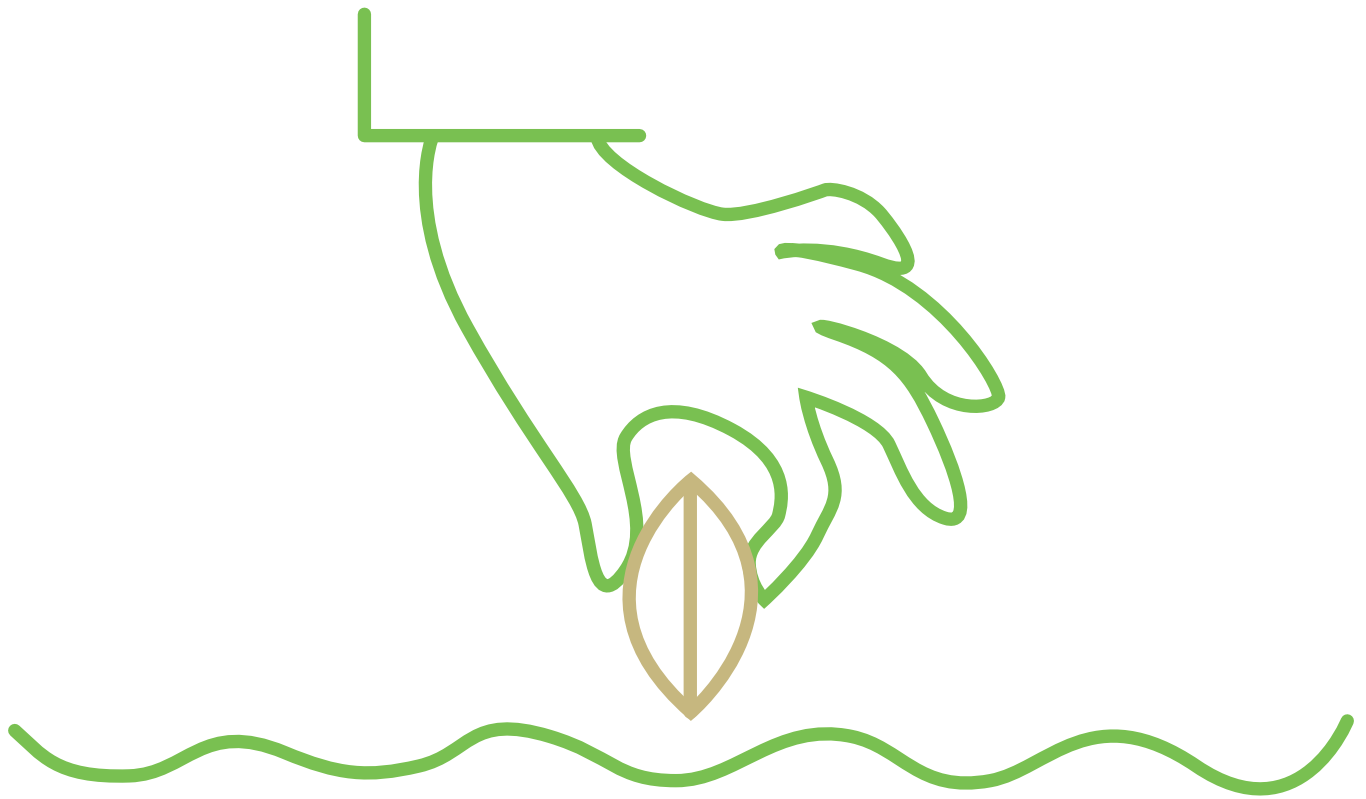
# honours & ACHIEVEMENTS

Multi Finance PLC has been offering financial services for over four decades and possesses an unblemished record in terms of trust and delivery standards. Our core products are: Fixed Deposits, Savings, Minor Savings accounts, Leasing, Term Loans, Micro Finance, Trader Finance and Gold Loans offering competitive rate and tailor made packages for our valued customers.

Meeting with statutory requirements set by the Central Bank of Sri Lanka as a licensed Finance Company quoted in the Colombo Stock Exchange, we maintain the highest compliance standards in the industry. Re-affirming this, we were awarded by the Institute of Chartered Accountants of Sri Lanka "The Annual Report Award for Compliance" in the years 2014, 2015, 2016 & 2017.

“*Meeting with statutory requirements set by the Central Bank of Sri Lanka as a licensed Finance Company quoted in the Colombo Stock Exchange, we maintain the highest compliance standards in the industry.*”





# Sowing the Seeds of Success

Executive Reports

# message from CHAIRMAN

## INTRODUCTION

While the finance industry as a whole was successful in consolidating its operations in key areas, the sector, and the economy as a whole experienced sluggish growth during the financial year ended 31st March 2018. Despite these challenges, we are confident that the year in review will serve as the basis for an exciting new period of innovation and growth for Multi Finance PLC (MFPLC).

Following our acquisition by Fairway Holdings (Pvt) Ltd, MFPLC has undergone substantial restructuring across every facet of the business, and we now stand geared to consolidate its existing business and capture new growth opportunities while aligning ourselves closely with national priorities.

In that context, the year in review is notable for being our first complete year of operations under the umbrella of the Fairway Holdings. Backed by the extensive support of our parent, MFPLC has already commenced an unprecedented recovery in its operations in spite of restrictive macroeconomic and industry conditions prevalent during the year.

## AN OPERATING ENVIRONMENT MODERATED BY CHALLENGE

Despite the emergence of promising development and growth opportunities across the domestic economy, Sri Lanka recorded its slowest pace of growth in the past 16 years. During this time, GDP growth fell to 3.1 percent Year-on-Year (YoY) in the wake of continuing disruptions in the agriculture sector resulting from adverse weather patterns



“

*Key performance indicators within the NBFIs sector - including capital, liquidity and profitability – remaining largely within healthy levels with liquidity buffers in particular being maintained well above minimum regulatory capital limits. During this period, total assets among finance companies grew at a moderate rate of 11.8 percent YoY to Rs. 1.36 trillion, where in the previous year, the sector had benefited from a growth rate of 21.7 percent YoY.*”



– including severe droughts and heavy rainfall – resulting in contractions within the sector over consecutive quarters.

Meanwhile inflation during the year climbed to 7.1 percent as the impact of a continuously devaluating rupee – which in turn was negatively impacted by a volatile international market conditions.

However these disruptions were less pronounced than in previous years. Consequently, the agriculture sector only contracted by 0.8 percent YoY in 2017, as compared with a significantly sharper contraction of 3.8 percent YoY in 2018.

Meanwhile the country's industrial and services sectors both posted moderated growth during the year with the former generating 3.9 percent YoY growth, against a previous 5.8% YoY in 2016. Growth

was primarily driven by an expansion in manufacturing activities, followed by the construction, mining and quarrying subsectors which proceeded at a reduced pace of growth through the year in review.

Similarly, the services sector expanded at a rate of 3.2 percent YoY in 2017, against a previous 4.7 percent YoY. The performance of the various service sub-sectors witnessed a similar moderation in growth during the period in review, with financial, insurance and real estate subsectors in particular slowing its expansion from 9.2 percent YoY in 2016, down to 7 percent in 2018.

The Banking sector led growth in the financial services subsector as asset growth posted commendable increases during the first half of the year before moderating through the second with the introduction of monetary tightening measures by the Central Bank of Sri Lanka that in turn drove market interest rates upwards.

## message from chairman

The banking subsector's asset quality also posted notable improvements as Non-Performing Loans declined during the year in review. Similarly, Capital Adequacy Ratios (CAR) were also maintained within healthy limits while the majority of expansions across domestic commercial were sourced from a widening deposits base, leading to an overall reduction in borrowings from these institutions.

By contrast, Sri Lanka's Non-Banking Financial Institutions (NBFIs) recorded stable - albeit moderated - results in 2017 as credit growth and profitability reduced while NPLs increased across the industry, largely driven by fiscal and monetary policy measures implemented by the CBSL in response to weaker economic growth, increased incidence of natural disasters and increasing foreign currency outflows arising from an expanding vehicle import bill.

Nevertheless, key performance indicators within the sector - including capital, liquidity and profitability - remaining largely within healthy levels with liquidity buffers in particular being maintained well above minimum regulatory capital limits. During this period, total assets among finance companies grew at a moderate rate of 11.8 percent YoY to Rs. 1.36 trillion, where in the previous year, the sector had benefited from a growth rate of 21.7 percent YoY.

### A JOURNEY OF PERSISTENT RESILIENCE

Having weathered numerous challenges over its 43 year legacy, our organisation's ability to retain customer confidence and maintain steady business remains a lasting source of pride for MFPLC. While these developments have restricted our ability to grow, they have also served to drastically bolster the resilience of MFPLC. Now strengthened by the extensive resources of Fairway Holdings, MFPLC now stands poised to capture new growth opportunities.

Despite ultimately recording a negative bottom line, our shareholders will be pleased to note that MFPLC has made outstanding progress toward consolidating its recovery over the year in review. Our losses were drastically cut as a result of substantial improvements across key performance indicators

including a 48.8 percent YoY expansion in its top line and a 25.5 percent increase in total assets. We continue to work closely with CBSL officials to ensure that our governance structures are maintained within the most optimal parameters, while ensuring strict compliance with all applicable regulations, including our Core Capital Ratio and Total Risk Weighted Capital Ratio which stand at 66.4 percent each, as compared with minimum regulatory requirements of 5 percent and 10 percent respectively.

The quantum of investment from Fairway in shoring up MFPLC's regulatory capital requirements is a clear demonstration of the strength of the Group, and of our collective commitment to continue the realignment of our Company with a view to unleashing the true potential of our brand.

“Over the past year, MFPLC has made outstanding progress in completing its restructure as part of our efforts to re-align our Company with the values, vision and mission of Fairway Holdings. An important part of this transformation is a revitalized effort towards the cultivation of business models that are geared to promote technological innovation and sustainable social development.”



Equally important progress has been made from an operational perspective, with MFPLC having concluded the year in review with all of its key positions having been filled with the successful recruitment of a highly qualified dynamic, and committed team of professionals. Fueled by a team that is now comprised of some of the best talent available in the industry. Our Company now stands poised on the threshold of a new era of sustainable, organic, and stable growth.

### A NEW PARADIGM IN SUSTAINABLE FINANCIAL SERVICES EXCELLENCE

Over the past year, MFPLC has made outstanding progress in completing its restructure as part of our efforts to re-align our Company with the values, vision and mission of Fairway Holdings. An important part of this transformation is a revitalized effort towards the cultivation of business models that are geared to promote technological innovation and sustainable social development.

Over the year in review, our valued stakeholders and esteemed shareholders will be pleased to learn that multiple such initiatives have already been commenced – including the launch of new digital products and services, strategic partnerships and a new sustainability campaign that marries our vehicle leasing offerings with concepts of environmental sustainability under the banner of MFPLC's 'Each One Plant One' campaign.

The stability and support of our parent has also enabled MFPLC to take a more strategic, long-term view of market dynamics. Particularly given the volatility which our organization has successfully endured over the recent past, our goal now is to lay the foundation for stable, organic growth that is rooted in product and service excellence, digital innovation, and stringent good governance.

Instead of focusing on driving profits through a focus on traditional interest rate based models, MFPLC steps into a new era of growth with a strategy that is firmly focused on the triple bottom line.

Our goal is not simply to become a profit making organization, but rather a profitable social enterprise that promotes the welfare of people, and planet across its entire business model.

Locally and globally, our industry is undergoing subtle but increasingly seismic shifts in business models and market dynamics. Where in the past, the emphasis of NBFIs had been on physical expansion of its branch network, technology is increasingly serving as a bridge between organisations and their clients. Backed by the extensive support and resources of our parent, MFPLC aims to aggressively enter this space with a strong emphasis of tech-enabled financial services solutions that are more readily extended to customers wherever in the country they reside or operate.

Such models have already been developed into a new digital status quo in advanced economies across the globe, and even in the Asian and South East Asian regions. Our goal is to ensure a steady, stable transition into fin-tech models for MFPLC, that will incrementally develop into exponential growth opportunities – not just for our organization and its shareholders, but for our customers, and for the Sri Lankan economy and environment as a whole.

Combined with extensive support services and powerful opportunities for new synergies with Fairway Holdings, Multi Finance is now poised for an exciting new phase of growth that will commence with a return to profitability over the coming financial year. Moving forward, we aim to organically extend our physical and digital reach in order to deliver innovative, affordable, high-quality financial services to all corners of the island.

### ACKNOWLEDGEMENTS

The outstanding progress that MFPLC towards shoring up its financial and operational stability under the umbrella of the Fairway Holdings is a direct result of the continuous guidance, support and proactive effort of the regulator and we therefore wish to express our gratitude to the Central Bank of Sri Lanka's Department for the Supervision and Regulation of Non-Banking Financial Institutions in supporting our return to firm operational stability.

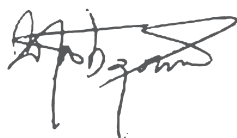
## *message from chairman*

I also wish to place on record our gratitude and appreciation to the owners and managers of Fairway Holdings for their enthusiastic engagement with our company. Together with our resolute Board of Directors, myself and the Management, and our team of employees at Multi Finance looks forward with great anticipation to a bright and prosperous new future of inspired social enterprise.

We extend our sincere thanks to family of employees – both new and old – for their outstanding success in rejuvenating our organization and enthusiastically look forward to a new year filled with innovative new possibilities for growth and development – both personal and professional. Powered by such a skilled and determined team, I am confident that the coming financial year will be the first in a long series of milestones – not just for our organization, but our industry as a whole.

Lastly, we wish to express our sincere gratitude to our most valued customers for continuing to place their trust and confidence in MFPLC. As we now move from strength to strength, we are confident that our organization will be able to offer unprecedented benefits to all of our stakeholders and so we look to the coming year and the years to come with a firm sense of confidence and optimism as we continue to develop on the tremendous potential of our organization to promote strong, lasting, and positive change in the Sri Lankan market for many years to come.

Thank You



**Mr. Kuvera De Zoysa**

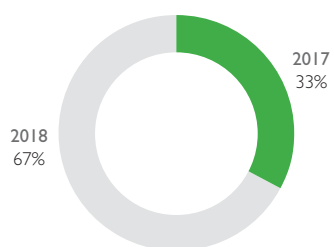
Chairman

28th June 2018





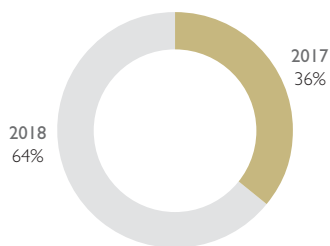
### Lending Portfolio



LENDING PORTFOLIO

**101.2%** ↑

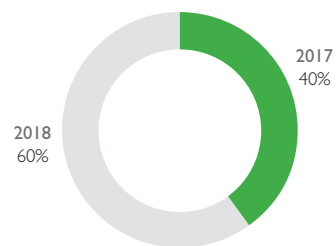
### Public Deposits



PUBLIC DEPOSITS

**76.4%** ↑

### Total Income



TOTAL INCOME

**48.8%** ↑



# message from CHIEF EXECUTIVE OFFICER

“

*While our organization, and our industry as a whole continued to face serious challenges, we are proud to report that during the period in review, MFPLC succeeded in growing our interest income from a previous Rs. 131.1 million up to Rs. 204.2 million, representing an annual increase of 55.7 percent.*”

## INTRODUCTION

It is with great pleasure that we present our valued stakeholders with the Annual Report of Multi Finance PLC (MFPLC) for the financial year ended 31st March 2018. The year in review has witnessed a remarkable transformation within our organization as we progress towards the formation of a new paradigm in financial services in Sri Lanka. Amply supported by our new parent – Fairway Holdings (Pvt) Ltd, MFPLC has made great strides in its forward journey – all the while strengthening its operational and business processes with a view to creating opportunities for stable, consistent and organic growth that will serve to expand the company's top and bottom line while laying the foundation for a new model of socially driven enterprise in Sri Lanka.

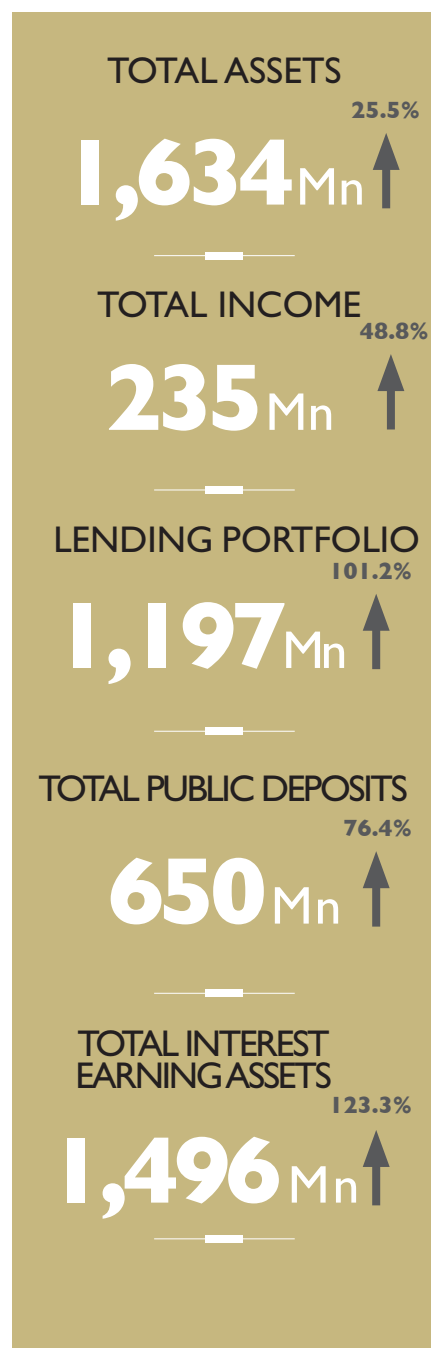
While our industry as a collective continued to face notable challenges in its operating environment – largely arising from unfavorable macroeconomic conditions – including increased inflation, and interest rates combined with lowered overall

economic growth. Hence while our Company has implemented a far-reaching strategy of consolidation and restructuring of its business and operations, we continued to face notable limitations to our growth potential – resulting from the lingering effects of our relationship with the previous parent organization, and the aforementioned tighter overall market conditions.

Nevertheless, our stakeholders will be pleased to learn that having now completed its first full year of operations under our new parent, MFPLC has made an outstanding recovery across several of its Key Performance Indicators (KPIs) – including tremendous growth in our lending and deposit portfolios – paving the way sustained profitability over the coming financial year and beyond. Our business strategy has been developed taking in order to align with anticipated market dynamics over the next five years with a strong emphasis on vastly expanded digital capabilities that blend the best of innovations.



## message from chief executive officer



### FINANCIAL AND OPERATIONAL HIGHLIGHTS

With the completion of its first full year of operations as part of the Fairway group of companies, we are extremely proud to report that MFPLC was able to significantly expand its topline. This resounding performance bodes well of the company, given that the financial year in review represents the first full year of stable operations for the company since its acquisition in February 2017 through a preliminary investment for the purchase of 64.6 percent of the issued share capital of the company.

While our organization, and our industry as a whole continued to face serious challenges, we are proud to report that during the period in review, MFPLC succeeded in growing our interest income from a previous Rs. 131.1 million up to Rs. 204.2 million, representing an annual increase of 55.7 percent. This remarkable improvement alone shows the outstanding potential which lies ahead for our organization. During this time, loans to customers accounted for the largest component of MFPLC's interest income, which contributed Rs. 84.1 million to our topline, improving drastically over the previous year's figure of Rs. 59 million.

Leasing accounted for the second largest contribution to topline performance during the year, expanding from Rs. 20.8 million up to Rs. 32.9 million, followed by increase in interest income from liquidity assets from Rs. 5.85 million in the previous year up to

Rs. 32.7 million during the period in review. Similarly vital improvements were also achieved in relation to MFPLC's total asset base which grew by 25.5 percent during the last year up to Rs. 1.6 billion, with interest earning assets in particular displaying a major improvement of 123.3 percent up to Rs. 1.5 billion. Additionally, the Company's lending portfolio expanded by 101.3 percent Year-on-Year (YoY) up to Rs. 1.2 billion while public deposits expanded by 76.4 percent YoY up to Rs. 650 million.

Unfortunately the weight of our relationship with a previous parent combined with the highly challenging market conditions prevalent through the year resulted in MFPLC posting a loss for the year of Rs. 17 million, we take strong encouragement from the fact that these losses were ultimately cut by more than half, as compared with the previous year when MFPLC posted a loss of Rs. 40.2 million. As a result, the company's loss per share was also cut from Rs. 1.51, down to a loss per share of Rs. 0.27. These outstanding improvements within our first full year of revitalized operations represent a small glimpse into the tremendous untapped potential that our brand has to offer.

The fact that MFPLC has been made to grapple with significant challenges over the recent past – prior to our acquisition by Fairway Holdings – has drastically strengthened Company's resilience to external challenges. Given the limitations that were placed on our business, extensive efforts were channeled towards optimizing internal and processes efficiencies.

“

*Our overall approach represents an important and vital departure from traditional business models typically employed in the Sri Lankan Non-banking financial services sector. Where generally the sector tends to focus primarily on driving large volumes of business, MFPLC will seek to drive technology-enabled innovation through a strong focus on the development of fin-tech models that offer customers digitized financial services at their fingertips.”*

These efforts to maintain our strict financial discipline and operational excellence have continued to yield positive benefits to our bottom line and during the year in review was also vital in curtailing overheads and administrative expenses despite staff recruitments, shifting to MFPLC's head office and refurbishment of all branches.

The continuous support of our parent over the past year has also enabled MFPLC to record important improvements to its regulatory capital requirements - with core capital and total risk weighted capital ratios each closing the year at 66.4%, as compared with minimum requirements of 5% and 10% respectively. Liquid assets were similarly maintained at a healthy level of 15.1% while strict compliance was also enforced in relation to all pertinent regulations.

Our shareholders will also be pleased to note that as of the conclusion of the last financial year, MFPLC has successfully filled all key positions within the organization, drawing from among the best and most qualified talent in the industry.

### STRATEGIC ORGANIC GROWTH

These vital additions to our team have been pivotal in enabling the remarkable growth achieved by MFPLC during the year in review. Our people have been one of our greatest strengths and the resilience of our organization is a direct reflection of our team's own character and commitment to unleash the true potential of the Multi Finance brand.

Now 43 years from its establishment, our company's ability to still command strong loyalty and respect among our valued customers stands as a testament to the value and promise of MFPLC. Having weathered numerous challenges, we are now confidently poised to strategically capture growth opportunities while fostering the development of a new paradigm in corporate social responsibility and social enterprise.

Our innovative new approach to financial services aims to redefine service delivery while introducing an entirely new approach to social enterprise that seeks to balance corporate and financial success with the promotion of products and services that are aligned with national priorities – embedding social and environmental benefits into profitable, sustainable business models that deliver optimized value to our valued customers.

Over the past year, we were able to introduce several new operational processes designed to streamline and enhance customer experiences through the implementation of a 6 hour client- centric credit processing platform enabling customers to have payments processes, cheques released, and loans approved within a six hour time frame whilst ensuring an even higher standard of operational security.

Additionally, we commenced work in launching three digital platforms that provide our customers with a digital wallet, SMS Gateway and a common switch for ATM networks, drastically

## *message from chief executive officer*

enhancing convenience to each customer. These initiatives were complemented with the launching of multiple strategic partnerships with established corporate sector clients in order to develop deeper backward integration that will support the growth of our product base and enhancing business opportunities for front-end staff.

This overall approach represents an important and vital departure from traditional business models typically employed in the Sri Lankan Non-banking financial services sector. Where generally the sector tends to focus primarily on driving large volumes of business, MFPLC will seek to drive technology-enabled innovation through a strong focus on the development of fin-tech models that offer customers digitized financial services at their fingertips.

This new strategic direction is being embarked upon with the full support and oversight of our parent and our senior management team continues to strongly benefit from our complete integration into the Fairway group of companies. Bolstered by the group's considerable resources and expertise in Administrative Services, Information Technology, Marketing, and Human Resources.

Among the most recent manifestations of MFPLC's revised approach to financial services delivery was the launch of: 'Each One Plant One' campaign which aims to link our business model with investments into reforestation – a cause of great significance and value for nation given that Sri Lanka has lost its forest cover at an average rate of 1.46% per annum between 2000 and 2016 while a total of 17% of our forest cover has been lost between 1920 and the present day. Our breakthrough sustainability campaign is designed to tackle this fundamental national issue head-on, while providing a pragmatic model for sustaining reforestation campaigns over the next 5 years.

Over the year in review, we have already made outstanding progress, having commenced the 'Each One Plant One' campaign with 4,000 trees across two projects to date. Moving forward, each of these projects will be continuously expanded while new projects will be initiated by engaging with customers to encourage and reward donations to the 'Each One Plant One' campaign.

### A PROMISING FUTURE AHEAD

Overall, the outlook for our organization appears highly positive. Our goal is not to aggressively pursue growth for growth's sake, but rather to introduce innovative new approaches to financial services that will provide strong, steady returns over the medium – long term.

Moving forward, our goal is to drive the triple-bottom-line model deep into the heart of Sri Lanka's NBFI sector, by proving decisively that a strategic, progressive, tech-enabled strategy can provide sustainable and lasting benefits for all stakeholders.

Similarly, we will also work to continuously leverage on opportunities for further synergies between MFPLC and our parent, Fairway Holdings, in order to further raise the profile of our organization and its brand. This strong marketing push combined with the continuous development of our internal capacities and the digital evolution of our product and service portfolio will serve as a catalyst for the national advancement of fin-tech models to levels comparable in developed and technologically sophisticated markets across the globe.

Leveraging breakthrough digital platforms, we are confident of establishing a deeper and more meaningful engagement with customers and all stakeholder groups. The deployment of these technological capabilities – including investments into data analytics – will help us to better understand and better serve our valued customers.

### ACKNOWLEDGEMENTS

The year in review has witnessed a remarkable transformation across our organization. This vital evolution of the Multi Finance will proceed at an increased pace over the coming financial year. Rejuvenated by our versatile parent, Fairway Holdings, we stand poised on the threshold of a new era in financial services in Sri Lanka – one that continues to hold a firm commitment to operational excellence, ethics, compliance and good governance – while delivering optimum returns for all stakeholders.

In that context, we wish to once again place on record our resounding gratitude to Fairway for its continuing and extensive support in revitalizing Multi Finance and placing our organization on a firm footing to redefine the financial services landscape in Sri Lanka.

I also wish to express my heartfelt gratitude to our Chairman, Board of Directors and senior management for their consistent, invaluable support in driving forward our new strategic vision for our company, industry and nation. Similarly, I also thank our most valued team of employees for their continuing passion, dedication and commitment in elevating our organization to new heights. As we come ever closer to our first half-century of operations in Sri Lanka, I am fully confident that we will all continue to support each other in this remarkable journey.

Lastly, on behalf of myself and the entire team at Multi Finance PLC, we thank our stakeholders and most valued customers for continuing to place their trust and confidence in our organisation. With their support, we have weathered many challenges and today emerged as one of Sri Lanka's most progressive, innovative, financial institutions. Moving forward we guarantee a continuous refinement of value to all stakeholders as we step into a new era for Multi Finance PLC.

Thank You



**Pushpika Jayasundera**

*Director/Chief Executive Officer*

28th June 2018

# *board of* **DIRECTORS**

- |                              |                          |
|------------------------------|--------------------------|
| 01. Mr. Kuvera De Zoysa      | 06. Dr. Ravi Fernando    |
| 02. Mr. Pushpika Jayasundera | 07. Mr. P. Abeysekara    |
| 03. Mr. Imal Fonseka         | 08. Mr. Prasann Leanage* |
| 04. Mr. W. Lakshman          | 09. Mr. Shelton Peiris*  |
| 05. Mrs. C. J. Atapattu      |                          |



\* Not in Picture



**Mr. Kuvera De Zoysa**

Chairman/Independent, Non-Executive Director

Appointed to the Board as an Independent Non-Executive Director in March 2011, Mr. Kuvera de Zoysa was later appointed as Chairman of Multi Finance PLC in July of the same year. A President's Counsel of the Supreme Court of Sri Lanka, Mr. De Zoysa has been active in the legal practice since 1993 in areas of Commercial and Civil Law. Holding a Master's Degree (LLM) in International Trade Law from University of Wales.

A well respected figure in Sri Lanka's legal and corporate spheres, Mr. De Zoysa has received significant recognition for his professional achievements including "Young Outstanding Persons" Award by HSBC - JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the legal profession. Prior to his tenure at Multi Finance,

Mr. De Zoysa served as Chairman / Director of People's Merchant Bank PLC and as a Director of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of People's Bank and as Chairman of the Audit, Legal and Risk Management Committees of People's Bank. Mr. De Zoysa also serves on the Boards of a listed company in the Leisure sector.

**Mr. Pushpike Jayasundera**

Director/Chief Executive Officer

Mr. Pushpike Jayasundera has been the Chief Executive Officer at Multi Finance PLC since August 1, 2013. He possesses nearly 24 years' experience in the fields of banking and finance.

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

He left the banking industry as 'Head of Leasing' and 'Commercial Credit' and joined Capital Alliance Finance PLC to steer the Company where he revamped the entire Company introducing best practices in the industry and re-engineered the business processes, whilst marking growth. Hence he is known for pioneering innovative new products in the industry, some of them

being the free health insurance cover for deposit holders irrespective of age limit, first overseas travel package offered for time depositors based on rewards, first insurance credit cover and incentive scheme for dealers, etc. He is also specialized in BPR (Business Process Re-engineering) system re-designing.

He holds a Masters in Business Administration specialized in Finance from Sikkim Manipal University and is a finalist in Chartered Institute of Management Accountants UK. He is also a member of the Institute of Commercial Management UK.

## *board of directors*

### **Mrs. Champika Atapattu**

Non-Independent, Executive Director

Appointed to the Board in August 2002 Mrs. Champika Atapattu serves the Company as Director – Legal and Recoveries. An Attorney-at-Law & Notary Public, Mrs. Atapattu graduated from Sri Lanka Law College in 1991 and holds over 21 years of experience as a practicing lawyer and legal officer holding wide-ranging experience across most aspects of the legal profession including litigation, court work, contract and agreement drafting and advisory services. She also holds further exposure in secretarial work and in addition to her experience in the field of conveyancing.

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

### **Mr. Imal Fonseka**

Non-Independent, Non-Executive Director

Imal is the Group CEO of Fairway Holdings. Hitherto he's held the positions of, CEO of Ceylon Biscuits Ltd and Managing Director of Hemas Manufacturing Sri Lanka / Hemas Consumer Brands, Bangladesh.

Imal has extensive experience in advertising, brand management, sales management and general management working with multi nationals such as JWT, Unilever, Glaxo-Smithkline, Coca-Cola and Chevron. He also worked in diverse cultures being posted overseas to manage brands and sales teams in the Middle East, in South East Asian and in the Sub-continent.

He was appointed to the boards of the Sri Lanka Insurance Corporation, and Sri Lanka Investment Holdings by the Ministry Of Finance, and also served in the boards of Chevron Lubricants (Lanka) plc and Eureka Technology Partners.

He plays an active role within the marketing fraternity as the past President of the International advertising association (Sri Lanka Chapter 2007-2008), Founder Chairman of the Sri Lanka advertising awards (2006), Chairman of the Sri Lanka brand excellence jury (2007) Chairman of the "EFFIES" Sri Lanka jury (2009, 2012,

2017) and Chairman of the Trustees of the Sri Lanka advertising awards (2010). He was also appointed to the Jury of the Asia-Pacific Effie Awards (2016,2017) and was subsequently Invited as a Juror for the Global Effies Program (2016) as well as the Middle East North Africa Program (2016).

He is a graduate of the Chartered Institute of Marketing (UK) and a Certified Management Accountant of Australia. He's had his post Graduate Education at the Indian School of Business which included terms at The Kellogg School of Management (Northwestern University), University of Pennsylvania's Wharton School and Fundação Dom Cabral (Brazil).

**Mr. Palitha Abesekara**

Non-Independent, Non-Executive Director

Palitha is an Associate member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He holds a Bachelor's Degree in Accountancy and Financial Management from the University of Sri Jayewardenepura. He counts over 20 years of experience in the finance and leasing industry.

**Mr.W.Lakshman**

Non-Independent, Non-Executive Director

Lakshman holds Masters in Business Administration at the Institute of Chartered Financial Analysts of India (ICFAI), Executive Diploma in Business Administration from University of Colombo, Diploma in Credit Management from the Institute of Credit Management, Diploma in Maintenance Management from NIBM and Diploma in Purchasing Management. He possesses over 25 years' experience in the finance and leasing industry, including both managerial senior managerial positions in the LOLC group and LB Finance PLC.

**Mr. Shelton Peiris**

Independent, Non- Executive Director

Shelton Peiris is a senior Sri Lankan banking professional with a very long and distinguished banking career across Asia, Middle East and North America. His banking background and experience includes both International banking groups such as HSBC / Standard Chartered and regional banks such as Commercial Bank Group - Qatar and its affiliated banks, National Bank of Oman and United Arab Bank in the U.A.E.

Shelton's areas of expertise are diverse and include Corporate/SME Banking, Risk Management, Trade Finance and Transaction Banking across a variety of industries, focused, but not limited to Transportation, Construction, Telecommunication, Shipping, Oil & Gas, Commodities, Manufacturing and Trading, Health Care, Education and Hospitality.

Prior to his most recent special assignment as Group Head of Transaction Banking at Barwa Bank , Qatar; he has held various Senior Managerial positions, involved at both Strategic and Operational decision making levels across many Financial Institutions.

- Senior Asst. General Manager and Head of Trade Finance/SME Banking with Commercial Bank Qatar
- Country Manager & Head of Corporate Banking with Standard Chartered Bank Oman

## *board of directors*

### Dr. Ravi Fernando

Independent, Non- Executive Director

- Head of Corporate & Institutional Banking with Standard Chartered Bank Sri Lanka
- Head of Corporate Banking & Off Shore Banking Unit with Standard Chartered Bank Bahrain
- Head of Trade Finance & Unit Head - Corporate Banking with Saudi British Bank (HSBC Group) in Saudi Arabia
- Senior Manager Trade Risks, Global Trade & Receivable Financing with HSBC Canada
- Trade Finance Executive with Hatton National Bank in Sri Lanka

Shelton believes that positive results can only be achieved through dissemination of knowledge learned through experience and has been actively involved in training young bankers in International Trade Finance, Leadership and multiple other areas of banking and other consultancy assignments. He has also participated in various professional forums and seminars both as a presenter and a panel speaker. These include the Euro Money, Exporta conferences and International Chamber of Commerce (ICC) - Paris sponsored events hosted in the Middle East.

He has an MBA from the Robert Kennedy College in Switzerland (Affiliated with the University of Wales, U.K.) and is registered with the Chartered Institute of Bankers in London. In addition to his academic qualifications he was also attached to the London Business School for a prestigious Leadership training program in banking and strategic lateral thinking. His early education was with St. Joseph's College, Colombo, Sri Lanka.

Shelton is a dual citizenship holder of Sri Lanka and Canada and a member of Canadian Institute of Corporate Directors (ICD) and International Chamber of Commerce in Sri Lanka. He is married with two adult children (a son and a daughter) and is also a passionate social worker who loves to travel and meet people of different socio-economic and ethnic backgrounds.

Dr. R. A. Fernando He is a Blue Ocean Strategist with a sustainability mind set. He is an Alumni of the University of Cambridge having Completed a Post-Graduate Certificate in Sustainable Business in 2008 and a Master of Studies in Sustainability Leadership in 2014. He holds a Doctor of Business Administration Degree from the European University in Switzerland 2016. He also holds a MBA from the University of Colombo and is a FCIM (Fellow of the Chartered Institute of Marketing, UK), He holds a Diploma in International Management and completed the Advanced Management Program at the INSEAD Business school in France. He was the United Nations Global Compact Focal point for Sri Lanka 2003-2010 and was the founder of the UN Global Compact Sri Lanka network in 2010 and is a Director of UNGC Sri Lanka Board. He is Chairman/ CEO of Global Strategic Corporate Sustainability Pvt. Ltd which currently operates in China, Vietnam & Sri Lanka. He serves on the Boards of Aitken Spence plantations Ltd, LOLC, Habitat for Humanity, Multi Finance Corporation, Ceylon Asset Management & UN Global Compact in Sri Lanka. His career with Multi-nationals spanned 1981-2003, Unilever, Sterling Health International, Smithkline Beecham International covering Africa, Middle East and Asia in CEO/Managing Director, Business Development and Marketing Management positions between 1981- 2007.

### Mr. Prasann Leanage

Non-Independent, Non-Executive Director

He was the first CEO SLINTEC (Sri Lanka Institute of Nanotechnology) 2008-2010. In Academia, He was a visiting faculty member of the INSEAD Advanced Management Program from 2005-2010 and Cedep (France) - Managing Business Excellence program in China, teaching the subject 'Strategic Corporate Sustainability'. He is an Executive in Residence at the INSEAD Social Innovation centre since September 2010 to date and has been involved in 10 Case studies at the INSEAD business school between 2006-2018. In September 2007, he won a "Global Strategy Leadership award" at the World Strategy Summit receiving the award from Prof Renee Mauborgne of INSEAD business school. In November 2015, he published 'Strategic Corporate Sustainability – 7 Imperatives for Sustainable business' (Partridge: Penguin Random House), based on his work at Cambridge University.

Counting over 26 year of work experience in Local & Multinational organizations covering, Financial strategy formulation, Financial Management, Taxation, Relationships with banks, Financial Institutions and Auditors, Prasann Leanage holds vast experience in managing CEO's responsibilities, General management, International Business Development, Sales and Marketing, Research and Development, Human Resource Development, Project Management, Information Technology and Business Process Re- Engineering.

Backed by professional qualifications from the Institute of Chartered Accountants of Sri Lanka (FCA), Chartered Institute of Management Accountants UK (ACMA), Chartered Global Management Accountant (CGMA) and Chartered Institute of Logistics & Transport (CMILT), Prasann currently is the Chief Financial Officer/ Director of Fairway Holdings (Pvt) Limited.

Prasann's journey up to date includes, Freight Links International and related Companies as the Director/ Senior Vice President, Excel Trading Agencies (Pvt) Ltd as the Director, Excel Distributors (Pvt) Ltd as the Director, Ruhunu Plywood Products (Pvt) Ltd and Ernst & Young Chartered Accountants as Senior Accountant.

On 4th October 2017 Prasann was appointed to the Board of Directors of Multi Finance PLC and currently also holds the position of Director – Multi Finance PLC.



# *senior management* **TEAM**



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- 01. Ms. Suralie De Silva – Legal Officer
- 02. Mr. Namal Cooray – Channel Head
- 03. Mrs. Poornima Lenora – Manager Credit
- 04. Mrs. Thanuja Sooriarachchi – Head of Human Resources
- 05. Mr. Pushpike Jayasundera – Director/CEO



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- 06. Mr. Asanka Melroy Galbadaarachchi – Senior Finance Manager
- 07. Mrs. Jayanthi Jayasuriya – Senior Manager Operations / Compliance Officer
- 08. Mrs. Gayani Ravindrakumar – Personal Assistant to CEO
- 09. Mrs. Suharshani Welegama – Head of Funding & Corporate Communication
- 10. Mr. K.A. Duminda Priyashantha – Manager Pawning
- 11. Mr. Anthony Anandappa – Manager Internal Audit

# *management* **TEAM**



01

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03

- 01. Mr. Thusitha Rajakaruna  
*Manager, Ratnapura Branch*
- 02. Mr. Jeewana Yapa  
*Manager, Matara Branch*
- 03. Mr. Mahesh Abeysinghe  
*Manager, Kurunegala Branch*

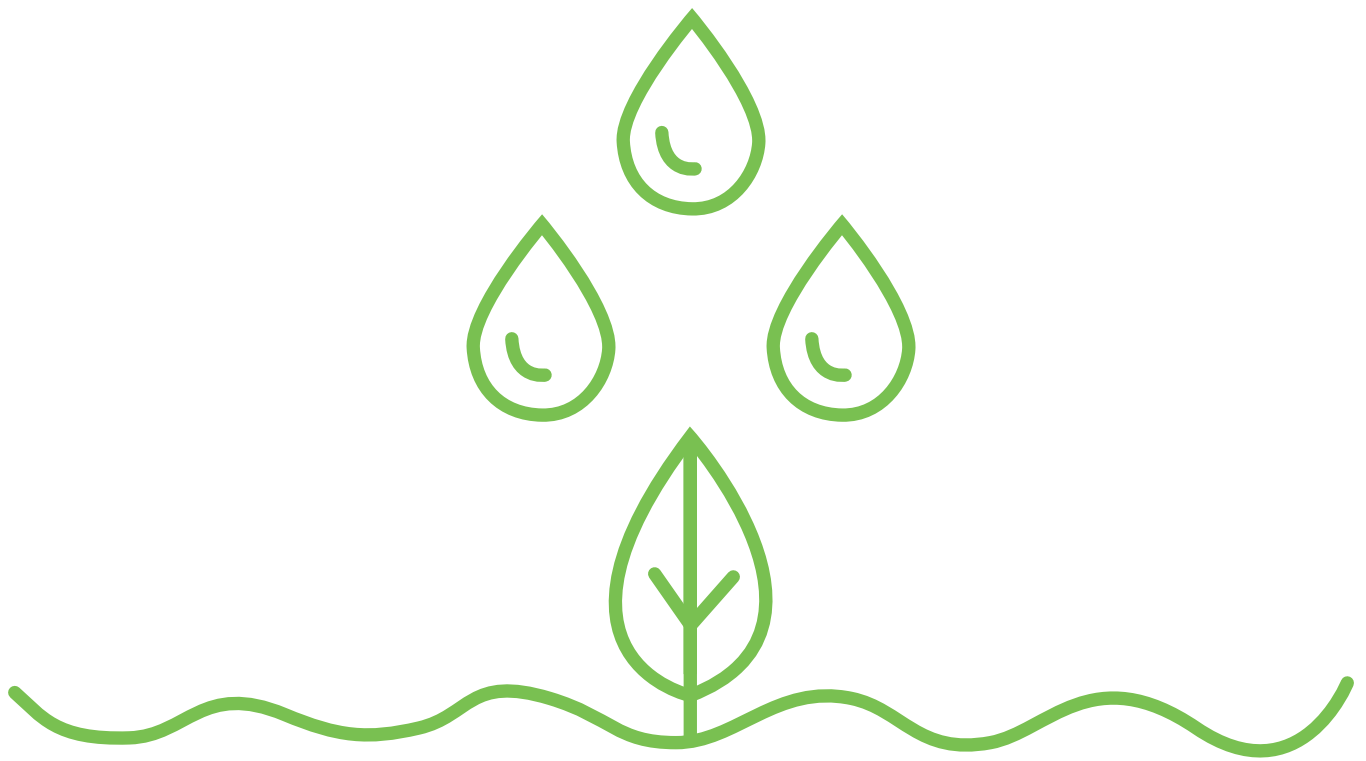


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- 04. Mr. Sriyanga Alahakoone  
*Manager, Gampaha Branch*
- 05. Mr. Manoj Denipitiya  
*Manager, Colombo Branch*
- 06. Mr. Chathura Kodippili  
*Manager, Anu'pura Branch*



# Nurturing Growth

Management Reports



# management DISCUSSION & ANALYSIS



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*Growth in services activities was largely backed by the expansion in financial services activities together with the developments in wholesale and retail trade activities.*

*Further, the growth in other personal services, real estate activities, human health activities, transportation, accommodation services, professional services, insurance, telecommunication, education and IT related activities contributed positively towards the expansion in Services activities.*

*The sector continued to remain as the largest contributor to GDP, accounting for 56.8 percent of economic growth in 2017. During the year in review, services growth dipped to 3.2 percent YoY, down from a previous 4.7 percent YoY.*”



## DOMESTIC ENVIRONMENT

The Sri Lankan economy posted weak yet stable growth during the 2017 calendar year; as growth fell to its lowest point in 16 years at 3.1 percent Year-on-Year (YoY), as compared with the previous year when growth stood at 4.4 percent YoY. Growth was primarily hampered by continuing contractions in the agriculture sector; a tighter monetary policy; and challenging external conditions.

Adverse weather conditions – manifesting in the form of persistent and severe droughts in the Northern, Eastern, North-Central and North-Western regions and heavy rainfall in the Southern wet-zones – negatively impacted agricultural productivity – albeit to a lesser extent than in 2016. Consequently, the agriculture sector recorded a contraction of 0.8 percent YoY in 2017, as compared with a 3.8 percent YoY contraction in the previous year. The sector's contribution to overall GDP also continued to decline, from 7.1 percent in 2016, down to 6.9 percent during the year in review.

The worst setbacks in the agriculture sector were experienced by the fruit, vegetables, rice and other cereals; however, the tea sector recorded a notable rebound during this same period.

Notably, tea production also recorded positive growth in 2017, reversing the declining trend of the past four years. Accordingly, production recovered with a growth of 5.2 percent, resulting in an output of 307.7 million kilogrammes in 2017, compared to 292.6 million kilogrammes in 2016. Supported by improved demand and stronger prices, the sector made a notable recovery, despite facing continuing volatility moving forward.

Similarly, despite the prevailing unfavorable weather conditions – including flooding in traditional areas of cultivation, rubber production also expanded by 5.1 percent YoY to 83.1 million kilogrammes in 2017, as compared with 79.1 million kilogrammes in 2016. The average yield for rubber was 809 kilogrammes per hectare in 2017, which was a marginal increase of 1.1 percent from the average yield recorded in 2016. The low yield in rubber

was primarily driven by the decline in the number of tapping days, particularly in the smallholder sector; where key producers of Ribbed Smoked Sheet (RSS) slowed down tapping operations in response to adverse weather conditions.

Growth in the industries sector dropped from 5.8 percent YoY down to 3.9 percent YoY despite the sector's overall contribution to GDP rising by a marginal 0.2 percent up to 26.8 percent during the year in review. Notable improvements were made in relation to the country's domestic manufacturing subsector. During the period in review, the subsector recorded growth from 3.2 percent YoY up to 3.9 percent YoY, however drastic reductions in growth were recorded in the mining and quarrying and construction sectors.

This moderation in growth within the construction subsector had a limited negative impact on growth in mining and quarrying activities, however the production of mineral sands grew significantly, as was positively reflected in the country's domestic mineral exports, which increased by 18.8 percent in 2017, compared to the increase of 7.9 percent in 2016.

Growth in services activities was largely backed by the expansion in financial services activities together with the developments in wholesale and retail trade activities. Further, the growth in other personal services, real estate activities, human health activities, transportation, accommodation services, professional services, insurance, telecommunication, education and IT related activities contributed positively towards the expansion in Services activities.

The sector continued to remain as the largest contributor to GDP, accounting for 56.8 percent of economic growth in 2017. During the year in review, services growth dipped to 3.2 percent YoY, down from a previous 4.7 percent YoY.

Growth in the wholesale and retail trade, transportation and storage fell by almost half, hitting 2.5 percent YoY by the end of the year; while growth in the finance, insurance and real estate subsector reduced from 9.2 percent YoY down to 7 percent in 2017. However, the Information and Communications subsector's

## management discussion & analysis

growth rose from 8 percent YoY up to 10.2 percent YoY while the professional and personal services subsector expanded growth from 0.9 percent YoY up to 3.3 percent YoY during the year in review.

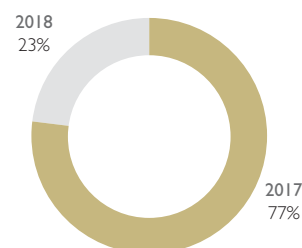
Public sector investment expenditure during this period continued to grow – albeit at a slower pace – expanding at a rate of 16.6 percent in 2017, as compared with a previous 22 percent YoY, with the majority of these investments being channeled into construction activities. Development projects undertaken by both the government and private sector, such as infrastructure developments and large scale residential and mixed development projects, contributed to the expansion in construction expenditure.

Moreover, the growth in investment expenditure was further augmented by the growth of investment in machinery and

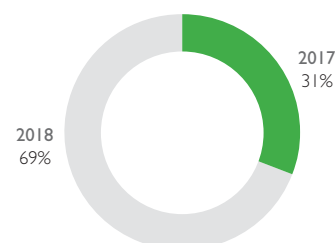
equipment and weapons systems, transport equipment, information and communication technology (ICT) equipment together with the growth of investment in intellectual property. Meanwhile, Foreign Direct Investment (FDI) rose from US\$ 801 million to US\$ 1.71 billion during the year in review. This increase was attributed to larger inflows to infrastructure projects.

A tight monetary policy was maintained during the year as a means to countering inflationary pressure with CBSL policy interest rates being increased by 25 basis points in March 2017, further to the 100 basis point increase in policy interest rates and the 1.50 percentage point increase in the Statutory Reserve Ratio (SRR) in 2016. Macroprudential measures, such as the imposition of loan to value ratios (LTV) on account of credit facilities for motor vehicles, also buttressed the tight monetary policy

### Borrowings



### Interest Earning Assets



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*A tight monetary policy was maintained during the year as a means to countering inflationary pressure with CBSL policy interest rates being increased by 25 basis points in March 2017, further to the 100 basis point increase in policy interest rates and the 1.50 percentage point increase in the Statutory Reserve Ratio (SRR) in 2016.*

*Macroprudential measures, such as the imposition of loan to value ratios (LTV) on account of credit facilities for motor vehicles, also buttressed the tight monetary policy stance. While such policies were successful in easing pressure on reserves, they resulted in drastic negative impacts to the vehicle industry.”*

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*the company was also successful in augmenting its existing operational processes with new digitized processes that are aimed at drastically streamlining operational efficiency through a drastic upscaling in autonomous administrative capabilities, enabled by investments into new technologies and through the continuing integration of MFPLC's back-end systems with our parent.*”

stance. While such policies were successful in easing pressure on reserves, they resulted in drastic negative impacts to the vehicle industry.

While the year in review saw the introduction of a market-based approach to exchange policy, the rupee recorded unprecedented depreciation, losing approximately 2.5 percent of its value against the dollar during the year in review. While these trends supported export growth, the domestic economy experienced rising inflationary pressure as a result.

These factors contributed towards an improving external sector as pressure on the Balance of Payments eased with higher inflows and improved domestic and external conditions. Notably, the country's export earnings rose to a value of US\$ 11.4 billion – representing

the highest value of export earnings on record for the country. These improvements were supported by improved demand in traditional export markets and the reinstatement of the European Union's Generalised System of Preferences plus (EU-GSP+) facility. Meanwhile, imports rose to US\$ 20.9 billion, leading to an expanded trade deficit equivalent to 11 percent of GDP, from a previous 10.9 percent in 2016.

Worker remittances - which account for the majority of inflows during this period - fell from US\$ 7.24 billion down to US\$ 7.16 billion partly due to the sluggish economic activity in the Middle Eastern region and the reduction in labour migration under all skilled categories. The above cited macroeconomic dynamics also resulted in a surge in inflation, which climbed to 7.1 percent during the period in review.

Moving forward the growth prospects for the Sri Lankan economy appear generally positive, despite the potential for political and policy volatility in the run up to a fresh election cycle post 2019. Nevertheless, the CBSL projects a rebounding in GDP growth up to 5 percent in 2018, 5.5 percent in 2019 and 6 percent in 2020. With progress being made on major strategic infrastructure development projects, the country is anticipated to witness increasingly broad based growth as economic opportunities develop through emerging projects like the Western Province Megapolis and Colombo Port City projects. Continued digitalisation of the economy; mechanisation of agriculture and industrial activities; skills development of the workforce to be in line with the economic strategy and the expectations of the labour force; diversification of the economy both in terms of domestic production as well as the export basket; together with continued improvement in economic and social infrastructure would also be crucial components of attaining a sustainable growth path for the country.

## INDUSTRY PERFORMANCE

The Banking sector led growth in the financial services subsector as asset growth posted commendable increases during the first half of the year before moderating through the second with the introduction of monetary tightening measures by the Central Bank of Sri Lanka that in turn drove market interest rates upwards.

## management discussion & analysis

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*Substantial improvements were also made in relation the company's regulatory capital requirements with core capital and total risk weighted capital ratios each closing the year at 66.4%, as compared with minimum requirements of 5% and 10% respectively. Liquid assets were similarly maintained at a healthy level of 15.1% while strict compliance was also enforced in relation to all pertinent regulations.*”

Continuing its dominance of the financial sector, the banking industry accounted for 60.3 percent of total assets in the financial sector with total assets surpassing Rs. 10 trillion by end 2017, reflecting growth of 13.8 percent YoY, against a growth rate of 12 percent in 2016.

The implementation of timely and appropriate regulatory actions and adoption of enhanced risk management measures helped the sector to maintain risks (credit, market, liquidity, operational and others) at manageable levels. Notably, the sector recorded important improvements in asset quality which resulted in a steady decline in NPL ratios. Gross NPL ratios during this period dropped marginally to 2.5 percent in 2017, from 2.6 percent in the previous year, despite an increase in NPLs of Rs. 18.3 billion during 2017.

Banking sector profits in 2017 also recorded vital improvements during the year in review, bolstered by sharp improvements to non-interest income which increased by Rs. 19 billion, and despite a marginal decline in net interest margin to 3.5 percent during 2017.

Profit after tax of the banking sector grew by 19.2 percent, from Rs. 116.5 billion in 2016 to Rs. 139 billion in 2017. The increase in profitability was reflected in the increase in the ROE ratio by 28 basis points to 17.6 percent and ROA - before tax ratio by 6 basis points to 1.4 percent.

### NBFI SECTOR

By contrast, Sri Lanka's Non-Banking Financial Institutions (NBFIs) recorded stable - albeit moderated - results in 2017 as credit growth and profitability moderated. The sector expanded in 2017, with an asset growth of 11.8 percent, representing 7.9 percent of Sri Lanka's financial services sector:

The total asset base of the sector grew moderately by Rs. 143 billion during the year reaching Rs. 1.36 trillion by end 2017, reflecting a growth rate of 11.8 percent YoY, as compared with a previous growth rate of 21.7 percent YoY.

Domestic market conditions during the year in review presented serious challenges to the NBFI sector, largely arising from revisions to vehicle importation policies. The resultant disruptions in key business areas resulted in a slowdown in growth of Net Interest Income which increased by 11.5 percent YoY to Rs. 102 billion while non-interest income rose to Rs. 34 billion. Nevertheless, the sector's Net Interest Margins declined marginally to 7.7 percent in 2017 from 7.9 percent in 2016. Non-interest income increased by 20.3 percent mainly due to the increase in default charges and other service charges, while non-interest expenses also increased by 21.9 percent, affecting adversely towards sector profitability, mainly due to the increase in staff costs.

The loan loss provisions made against NPLs, which was Rs. 13.5 billion, increased by Rs. 6 billion during 2017, when compared to the provision of Rs. 7.6 billion made in 2016, which also affected the profitability in 2017.

Nevertheless, key performance indicators within the sector - including capital, liquidity and profitability – remaining largely within healthy levels with liquidity buffers in particular being maintained well above minimum regulatory capital limits. During this period, total assets among finance companies grew at a moderate rate of 11.8 percent YoY to Rs. 1.36 trillion, where in the previous year, the sector had benefited from a growth rate of 21.7 percent YoY.

The sector maintained its overall capital level well above the minimum requirement during the year, enhancing the resilience to any perceived adverse shocks. The total regulatory capital improved by 25.1 percent to Rs. 145.3 billion, mainly due to efforts taken by the companies to enhance the minimum capital requirement up to Rs. 1 billion by 01 January 2018 as required, coupled with increase in retained profits.

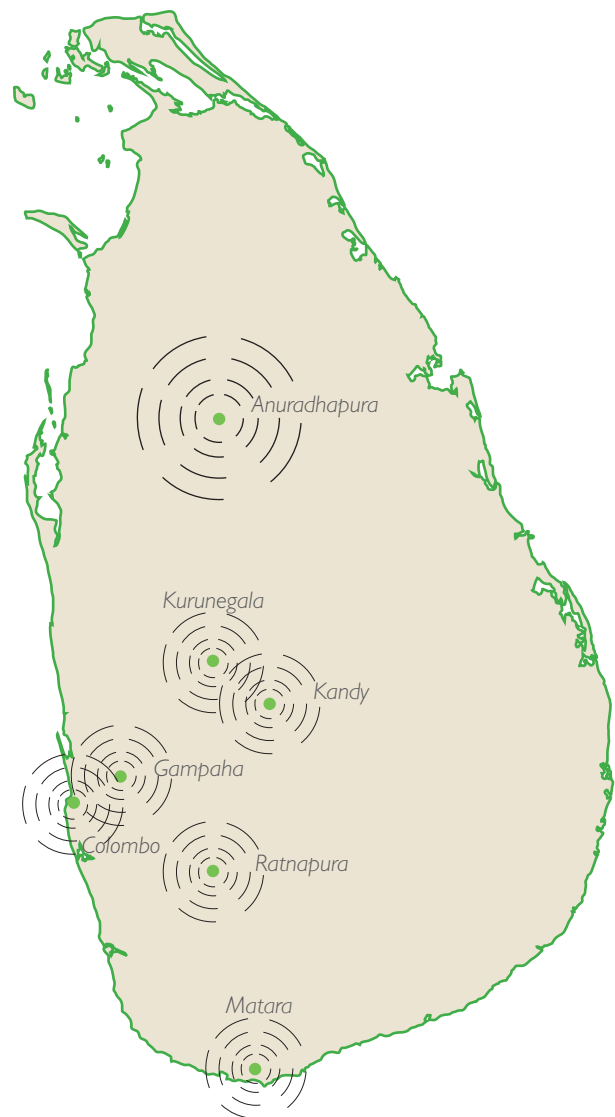
The capital adequacy ratios of the sector demonstrated an increasing trend, in which core capital and total capital ratios increased to 12.4 percent and 13.1 percent, respectively, compared to 11.3 percent and 11.7 percent recorded in year 2016, which was well above the minimum threshold level.

### COMPANY PERFORMANCE

Having weathered immense challenges as a result of disturbances to the company's operating model following the exit of its former parent company, Multi Finance PLC (MFPLC) has overcome significant obstacles, and during the year in review, completed its first full year of revitalized operations under its new parent, Fairway Holdings (Pvt) Ltd. Consequently, over the year in review, MFPLC posted strong improvements to its top and bottom line, and across most of its key performance ratios.

### BRANCH NETWORK

Presently Multi Finance is having 7 branches covering main cities where under our new strategy of digitalizing the financial services of the branches will act as Regional Offices which will cover wider spectrum reaching the entire country. This way we are cutting down our overhead costs in running branches and relying on Fintech models to provide financial services reaching every nook and corner of the country.





## management discussion & analysis

Interest income during this period expanded from Rs. 131.1 million up to Rs. 204.2 million, representing an annual increase of 55.7 percent YoY with loans to customers making the largest contribution to MFPLC's top line with Rs. 84.1 million, rising sharply over the previous year's figure of Rs. 59 million. Leasing accounted for the second largest contribution to topline performance during the year, expanding from Rs. 20.8 million up to Rs. 32.9 million, followed by reverse repurchase agreements which expanded drastically from just Rs. 5.85 million in the previous year up to Rs. 32.7 million

The company was also successful in expanding its total asset base, growing at a rate of 25.5 percent YoY up to Rs. 1.6 billion with interest earning assets in particular displaying a major improvement of 123.3 percent up to Rs. 1.5 billion. Additionally, the Company's lending portfolio expanded by 101.3 percent Year-on-Year (YoY) up to Rs. 1.2 billion while public deposits expanded by 76.4 percent YoY up to Rs. 650 million.

Meanwhile, the company's bottom line losses were drastically reduced from Rs. 40.2 million to a loss of Rs. 17 million during the period in review while loss per share was also cut from Rs. 1.51, down to a loss per share of Rs. 0.27.

Substantial improvements were also made in relation the company's regulatory capital requirements with core capital and total risk weighted capital ratios each closing the year at 66.4%, as compared with minimum requirements of 5% and 10% respectively. Liquid assets were similarly maintained at a healthy level of 15.1% while strict compliance was also enforced in relation to all pertinent regulations.

Moving forward, the company stands poised for strong growth potential, backed by the support, resources and expertise of its parent company, and championing a new model for sustainable organic growth that is focused on social enterprise and empowered by technological innovations that are designed to set new benchmarks in digital innovation both domestically and regionally.

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*the company was also successful in augmenting its existing operational processes with new digitized processes that are aimed at drastically streamlining operational efficiency through a drastic upscaling in autonomous administrative capabilities, enabled by investments into new technologies and through the continuing integration of MFPLC's back-end systems with our parent.*”

During the year in review, MFPLC achieved another significant milestone with the completion of recruitment across all of its key senior management positions, and the company is now approaching full strength, having continued to recruit from among the most qualified, talented and dedicated talent in the Sri Lankan market.

Similarly, the company was also successful in augmenting its existing operational processes with new digitized processes that are aimed at drastically streamlining operational efficiency through a drastic upscaling in autonomous administrative capabilities, enabled by investments into new technologies and through the continuing integration of MFPLC's back-end systems with our parent.

Among the most notable improvements was the implementation of a 6 hour client- centric credit processing platform enabling customers to have payments processes, cheques released, and loans approved within a six hour time frame whilst ensuring an even higher standard of operational security.

Additionally, the company also introduced a new digital wallet an SMS Gateway and a common switch for ATM networks, all of which are anticipated to drastically improve customer convenience, while providing simple, reliable, secure access to MFPLC's complete suite of financial services.

Moving into the new financial year, the Management anticipates exponential improvements in top and bottom line performance, while more new digitally enabled products and services are also in the pipeline and scheduled for release over the coming year. In that context, despite lingering challenges, and a uncertain operating environment, the outlook for the company remains highly positive over the medium to long term.

## HUMAN CAPITAL

The human capital of Multi Finance PLC is clearly its most valuable asset. With the strategic guidance of the Board of Directors, the HR team focuses on sustainable and profitable growth across the organization.

HR will pro-actively contribute to workplace solutions and services through leadership, excellence, innovation, and engagement, to enrich the work and learning environment for our people. We attempt to retain employees by building an inclusive culture and the creation of a safe and happy workplace. The Company believes that the culture plays a vital role in grooming effective, fair-minded leaders who not only contribute to the progress of the Company but also contribute meaningfully for the betterment of society.



"Way Forward" Training Programme

## *management discussion & analysis*



*Annual Staff Get-together*





Fairway and Multi Sports Festival

# *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 its all 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 26 to 31 of this Report.

## **COMPOSITION AND INDEPENDENCE**

The Board comprised of 4 to 10 members during the period under review, three (03) of whom are Non-Executive Independent 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 74 to 77.

## **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 2018, eleven (11) meetings of the Board were held. The attendance at the meetings was:

Name of Member	Board Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance %
1 Mr. E K I de Zoysa	11	10	91
2 Mrs. C J Atapattu	11	11	100
3 Mr. Pushpike Jayasundera	11	11	100
4 Mr. Imal Fonseka	7	7	100
5 Mr. Shelton Peiris	7	6	86
6 Mr. Lakshaman Wanniarachchi	7	7	100
7 Mr. Palitha Abeysekara	7	7	100
8 Dr. Ravi Fernando	4	4	100

Name of Member	Board Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance %
1 Prof. H Dissabandara (Resigned w.e.f. 12.08.2017)	4	4	100
2 Mr. H S S Fernando (Resigned w.e.f. 30.06.2017)	3	1	33
3 Mr. Prasann Leavage (Resigned w.e.f. 15.05.2018)	7	6	86
4 Mr. Niroshan Gunaratne (Resigned w.e.f. 24.11.2017)	4	1	25

## 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 67 to 73 in this Report.

## COMPLIANCE OFFICER

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

## MANAGEMENT COMMITTEES

The Company has identified Committees in-house for Recoveries, Credit, 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.

## corporate governance

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.

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

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
<b>2. THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS</b>		
Strengthening the safety and soundness of the Finance Company	2 (I) (a)	<b>Complied with</b> 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 (I) (b)	<b>Complied with</b> 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 (I) (c)	<b>Complied with</b> 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).

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (I) (d)	<b>Complied with</b> The Board is responsible for ensuring effective communication with all stakeholders including depositors, creditors, shareholders and borrowers. The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.
	2 (I) (e)	<b>Complied with</b> Audit committee with the assistance of internal audit will review the adequacy and integrity of internal controls of the company.
	2 (I) (f)	<b>Complied with</b> Identification and designation of Key Management Personnel is in place and periodically reviewed by the Board.
	2 (I) (g)	<b>Complied with</b> 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. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs.
	2 (I) (h)	<b>Complied with</b> Audit committee will review the affairs of the company.
	2 (I) (i)	<b>Complied with</b> The Board ensures that effectiveness of Governance practices is periodically assessed. A transparent procedure is in place for selection, nomination and election of Directors and Key Management Personnel. Conflicts of interests are rigidly managed through a balanced Board of Directors. Wherever improvements are necessary, they are made.
	2 (I) (j)	<b>Complied with</b> 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 (I) (k)	<b>Complied with</b> 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.

## corporate governance

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (1) (l)	<b>Complied with</b> Compliance officer regularly updates the board on the regulatory environment.
	2 (1) (m)	<b>Complied with</b> With the approval of the Audit committee, due diligence will be carried out by external auditors.
Chairman & CEO	2 (2)	<b>Complied with</b> The Board has appointed the Chairman and CEO and the roles of the Chairman and the CEO are separate.
Independent advice	2 (3)	<b>Complied with</b> Directors are permitted to seek independent advice when necessary.
Conflict of interests	2 (4)	<b>Complied with</b> 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)	<b>Complied with</b> All matters relating to the company are discussed at the board meeting.
Situation of Insolvency	2 (6)	This situation has not arisen during the year.
Corporate Governance Report	2 (7)	<b>Complied with</b> This report addresses the requirement.
Self assessment by Directors.	2 (8)	<b>Complied with</b>
<b>3. MEETINGS OF THE BOARD</b>		
Board Meetings	3(1)	<b>Not Complied with</b> The Board met 11 times during the year at approximately monthly intervals.
Inclusion of proposals by all Directors in the agenda	3 (2)	<b>Complied with</b> 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)	<b>Complied with</b> 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)	<b>Complied with</b> Director's Attendance at the Board Meetings are given above in this Report.
Board Secretary	3 (5)	<b>Complied with</b> The Board has appointed a Board Secretary to handle the secretarial services to the Board and to carry out other functions required by Statutes

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Agenda for Board Meetings	3 (6)	<b>Complied with</b> The Board Secretary prepares the Agenda, which function has been delegated by the Chairman.
Access to the Board Secretary	3 (7)	<b>Complied with</b> Service of the Board Secretary is available for all Directors in discharging their duties to the company
Minutes of the Meetings	3 (8)	<b>Complied with</b> The Company Secretary records the minutes of the Board Meetings and 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	<b>Complied with</b> Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary.
<b>4. COMPOSITION OF THE BOARD</b>		
Number of Directors	4(1)	<b>Complied with</b> The Board comprised of 09 Directors during the year as at 31st March 2018
Period of service of Non-Executive Directors	4 (2)	<b>Complied with</b> 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)	<b>Complied with</b> CEO was appointed to the Board w.e.f. 09th September 2016. Board consists of nine 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)	<b>Complied with</b> The Board reviews the independence of Non-Executive Directors on a regular basis. Board comprises of three Independent Non-Executive Directors.
Alternate Director	4 (5)	This situation has not arisen during the year.
Credibility, skills & experience of Non-Executive Directors	4 (6)	<b>Complied with</b> Biographic details of the Directors are given on pages 26 to 31.
Board Meetings without half the quorum of Non-Executive Directors	4 (7)	<b>Complied with</b> Articles of the Company provides for same.
Details of Directors	4 (8)	<b>Complied with</b> Please refer pages 26 to 31 for the biographic details of the Directors.



## corporate governance

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Appointment of new Directors	4 (9)	<b>Complied with</b> The company does not have nomination committee; however the Board has a formal and transparent procedure in place when appointing Directors to the Board. Nominated individual are screened in accordance with CBSL and CSE's requirement and submitted for prior approval of the Director- SNBFI of CBSL.
Appointment to fill a casual vacancy	4 (10)	<b>Complied with</b> There were no casual vacancies during the year.
Resignation/ removal of a Director	4 (11)	<b>Complied with</b> Notifications of resignations of Directors of the company are given to the Shareholders by way of the Annual Report and to the Director – DSNBFI of the CBSL and CSE.
<b>5. CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS</b>		
Directors over 70 Years of age	5 (1)	<b>Complied with</b> Directors serving on the Board have not reached the age of 70.
Holding of office in more than 20 entities	5 (2)	<b>Complied with</b> As at 31.03.2018 none of the Directors hold Directorships in more than 20 entities.
<b>6. MANAGEMENT FUNCTION DELEGATED BY THE BOARD</b>		
Delegation of work to the management	6 (1)	<b>Complied with</b> 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.
Evaluation of the delegated process	6 (2)	<b>Complied with</b> Delegation process is reviewed by the board based on business requirements.
<b>7. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER</b>		
Division of responsibilities of the Chairman & CEO	7 (1)	<b>Complied with</b> 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)	<b>Complied with</b> The Chairman is an Independent Non-Executive Director.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Relationship between Chairman and CEO & other Directors	7 (3)	<b>Complied with</b> There are no material relationships between the Chairman and CEO and other Members of the Board which will impair their respective roles.
Role of the Chairman	7(4) to 7(10)	<b>Complied with</b>
Role of the CEO	7 (11)	<b>Complied with</b> The CEO performs as apex Executive-in-Charge of the day-to-day management of company's operations and business.
<b>8. BOARD APPOINTED SUB-COMMITTEES</b>		
Board Appointed Sub-committees	8 (1)	<b>Complied with</b> There are 04 Board appointed Sub-committees namely Audit Committee, Remuneration Committee and Integrated Risk Management Committee & 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.
Audit Committee	8 (2)	8 (2) (a) to 8 (2) (l) <b>Complied with</b> 8 (2) (m) <b>Complied with</b> 8 (2) (n) to 8 (2) (q) <b>Complied with</b> 8 (2) (r) <b>Not-Complied with</b>
Integrated Risk Management Committee	8 (3)	The discussions and conclusions reached at such meetings are circulated to the Board of Directors at the very next monthly Board Meeting. 8(3) (a) to 8(3) (d) <b>Complied with</b> 8(3) (e) <b>Not-Complied with</b> 8(3) (f) to 8(3) (h) <b>Complied with</b>
<b>9. RELATED PARTY TRANSACTIONS</b>		
Avoiding conflict of interests in related party transactions and favorable treatment	9 (2) to 9 (4)	<b>Complied with</b> 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.
<b>10. DISCLOSURES</b>		
Financial reporting, statutory and regulatory reporting	10 (1)	<b>Complied with</b> The financial statements for the year ended 31st March 2018 and the bi-annual financial statements are in conformity with all rules and regulatory requirements and applicable accounting standards.

## corporate governance

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Minimum disclosure in the Annual Report	10 (2)	<b>Complied with</b> All necessary disclosures have been included in the Annual Report 2017/18.
<b>11. TRANSITIONAL PROVISIONS</b>		
The external auditor's certification on effectiveness of internal control system	11	<b>Complied with</b> Multi Finance PLC has obtained the External Auditor's certification on effectiveness of internal control system.

### 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	<b>Complied with</b>	Three Directors on Board are Non-Executive Directors
	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	<b>Complied with</b>	Board has been changed with the appointment of new Directors during the year and there are three NEDs.
	7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	<b>Not Applicable</b>	-
Independent Directors	7.10.2 (a)	Two or one third of Non Executive Directors, whichever is higher, should be independent	<b>Complied with</b>	The Board comprises of three independent Non-Executive Directors
	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	<b>Complied with</b>	The Non-Executive Directors have submitted the required declarations.

Section	Rule No.	Requirement	Compliance Status	Details
Disclosures relating to Directors	7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report	<b>Complied with</b>	The company's Independent Non-Executive Directors are Mr. E.K.I.De Zoysa Mr. Shelton Peiris Dr. Ravi Fernando
	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	<b>Not Applicable</b>	No such determination was required to be made by the Board.
	7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	<b>Complied with</b>	Please refer Profiles of Directors
	7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board	<b>Complied with</b>	Please refer Profiles of Directors
Criteria for defining 'independence	7.10.4 (a-h)	Requirements for meeting criteria to be Independent	<b>Complied with</b>	-
Remuneration committee	7.10.5	A listed company shall have a Remuneration Committee	<b>Complied with</b>	Please refer the Report of the Remuneration Committee
	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.	<b>Not-Complied with</b>	The Remuneration Committee comprises of one Independent Non-Executive Director
		One Non-Executive Director shall be appointed as Chairman of the committee by the Board	<b>Complied with</b>	Mr. E.K.I de Zoysa who is an Independent, Non-Executive Director functions 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.	<b>Complied with</b>	Please refer the Report of the Remuneration Committee

## corporate governance

Section	Rule No.	Requirement	Compliance Status	Details
	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.
Audit Committee	7.10.6	A listed company shall have an Audit Committee	Complied with	-
	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. Prasann Leanage (Has given resignation subsequent to the year), Mr. Shelton Peiris and Dr. Ravi Fernando are Independent Non Executive Directors of the Audit Committee
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Complied with	Mr. Prasann Leanage is a Non-Independent, Non-Executive Director; functioned as the Chairman of the Audit Committee during the year (Has given resignation subsequent to the year).
		The Chief Executive Officer and Manager Finance shall attend Audit Committee meetings	Complied with	The CEO, and Senior Finance Manager attended all Audit Committee meetings
		The Chairman or one member of the Committee should be a member of a recognized professional accounting body	Complied with	Chairman & one member of the Audit Committee are members of a professional accounting body.



Section	Rule No.	Requirement	Compliance Status	Details
	7.10.6 (b)	<p>The functions of the Audit Committee shall include</p> <p>Overseeing of the preparation and presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards</p> <p>Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations</p> <p>Ensuring the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessing of the independence and performance of the external auditors</p> <p>Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors</p>	Complied with	Please refer the Report of the Audit Committee
	7.10.6 (c)	<p>The annual report shall set out; the names of the Directors who comprise the Audit Committee</p> <p>The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination</p> <p>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

## corporate governance

### COMPANY'S ADHERENCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA AND THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ("CODE") SECTION I – THE COMPANY

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>DIRECTORS</b>		
<b>A.1 The Board</b>		
The Company is headed by an effective Board which comprises of professionals with having required professional competence, skills and experience to lead and control the Company. The Board gives leadership in setting the strategic direction and implement sound control environment for the successful functioning of the Company.		
Board Meetings	A.1.1	<b>Complied with</b> During the year, the Board met 11 times.
Role of the Board	A.1.2	<b>Complied with</b> 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	<b>Complied with</b> The Board collectively and directors individually complied with the laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense.
Access to advice & services of the Company Secretary	A.1.4	<b>Complied with</b> 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	<b>Complied with</b> All directors exercise independent judgment on issues of strategy, performance, resources and standard of business conduct.
Dedication of adequate time & effort by the Directors	A.1.6	<b>Complied with</b> 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.
Training for new & existing Directors	A.1.7	<b>Complied with</b> 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.

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>A.2 Chairman &amp; the Chief Executive Officer</b>		
There should be a clear division of responsibilities at the head of the Company which will ensure balance of power and authority so that no one individual has unfettered powers of decision. The Chairman as well as the CEO have a clear distinction of responsibilities and balance in power and authority.		
Separation of the roles of Chairman & CEO	A.2.1	<b>Complied with</b>
<b>A.3 Chairman's Role</b>		
The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board.		
Role of the Chairman	A.3.1	<b>Complied with.</b> The Chairman conducts Board proceedings in a proper manner and ensures that effective participation of both Executive and Non-Executive Directors is secured and the balance of power between Executive and Non-Executive directors is maintained.
<b>A.4 Financial Acumen</b>		
The Code requires that the Board should be comprised of members with sufficient financial acumen and knowledge to offer guidance on financial matters.		
Financial Acumen & Knowledge	A.4.1	<b>Complied with.</b> The Board comprises of members with academic & professional qualifications in Accounting, Business Finance & Management. Please refer Profiles of the Directors.
<b>A.5 Board Balance</b>		
The Code requires the Board to maintain a balance between Executive Directors and Non-Executive Directors (NEDs) so that, no individual or small group can dominate the Board's decision making.		
Presence of a Strong Team of NEDs	A.5.1	<b>Complied with.</b> The Board comprised of 9 directors as at 31st March 2018, 3 of whom were Independent.
Independence of NEDs	A.5.2 & A.5.3	<b>Complied with.</b> The following 3 NEDs were Independent Directors during the year; Mr. E. K. I De Zoysa Mr. Shelton Peiris Dr. Ravi Fernando
Annual Declaration by NEDs on Independence	A.5.4	<b>Complied with.</b> All Independent Directors above have submitted their written declarations with regard to their independence as required by the Code.

## corporate governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
Annual Determination by the Board on Independence of NEDs	A.5.5	<b>Complied with.</b> The Board has determined the independence of the NEDs based on the written declarations submitted.
Appointment of an Alternate Director	A.5.6	Situation did not arise.
Appointment of Senior independent Director & Availability of himself for confidential discussions	A.5.7 & A.5.8	Not relevant.
Conducting meetings with NEDs only	A.5.9	<b>Not - Complied with.</b>
Recording in Board Minutes concerns which cannot be unanimously resolved	A.5.10	<b>Complied with.</b> Concerns of the Directors which cannot be unanimously resolved if any, are recorded with adequate details. All minutes are circulated to the members of the Board & formally approved at the subsequent meeting.
<b>A.6 Supply of Information</b>		
The Code requires the Management to provide timely information in a form and of a quality appropriate to enable the Board members to discharge their duties.		
Obligation of the Management to provide appropriate & timely information to the Board	A.6.1	<b>Complied with.</b>
Adequate Notice for Board Meetings	A.6.2	<b>Complied with.</b>
<b>A.7 Appointments to the Board</b>		
The Code requires the Company to have formal & transparent procedure to appoint new Directors to the Board.		
Presence of a Nomination Committee & Annual Assessment of composition of the Board	A.7.1 & A.7.2	<b>Not - Complied with.</b>
Disclosure requirements when new appointments are made to the Board	A.7.3	<b>Complied with.</b>
<b>A.8 Re-Election</b>		
The Code requires all directors to submit themselves for re-election at regular intervals and at least once in every 3 years.		
Re-election of NEDs	A.8.1	<b>Complied with.</b>
Appointment of Chairman & Directors subject to election by shareholders at the first opportunity	A.8.2	<b>Complied with.</b>

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>A.9 Appraisal of Board Performance</b>		
Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
Appraisal of Board performance	A.9.1	<b>Complied with.</b>
Annual self-evaluation by the Board	A.9.2	<b>Complied with.</b>
Disclosure of criteria for performance evaluation	A.9.3	<b>Complied with.</b>
<b>A.10 Disclosure of Information in respect of Directors</b>		
Shareholders should be kept advised of relevant details in respect of directors.		
Disclosure of Information on the Directors in the Annual Report	A.10.1	<b>Complied with.</b> Brief Profiles of the Directors with expertise & experience, other business interests, Remuneration & status of independence are disclosed in this Annual Report.
<b>A.11 Appraisal of the Chief Executive Officer (CEO)</b>		
The Code requires that the Board should assess the performance of the CEO at least annually.		
Setting Annual Targets & Appraisal of Performance of the CEO	A.11.1 & A.11.2	<b>Complied with.</b> 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>		
<b>B.1 Remuneration Procedure</b>		
The Code requires that the Company should establish a formal & transparent procedure for developing an effective remuneration policy for both Executive Directors & NEDs where no director is involved in deciding his/her own remuneration to avoid conflicts of interests.		
Establishment of a Remuneration Committee	B.1.1	<b>Complied with.</b> 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	<b>Complied with.</b> Refer Report of the Remuneration Committee.
Determination of Remuneration of the NEDs	B.1.4	<b>Complied with.</b> 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	<b>Complied with.</b>



## corporate governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>B.2 Level &amp; Make-Up of Remuneration</b>		
Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the director's needed to run the Company successfully. A proportion of Executive Director's remuneration should be structured to link rewards to corporate and individual performance.		
Remuneration of Executive Directors	B.2.1	<b>Complied with.</b> Executive directors do not set their own remuneration.
Competitiveness of levels of Remuneration	B.2.2	<b>Complied with.</b> 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	<b>Complied with.</b> 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	<b>Not applicable</b>
Executive Share Options	B.2.5	<b>Not applicable</b>
Designing schemes of Performance related Remuneration	B.2.6	<b>Complied with.</b> Performance related Remuneration Schemes are approved by the Remuneration Committee.
Early Termination of Executive Directors	B.2.7 & B.2.8	<b>Not applicable.</b> Terminations of Executive Directors, CEO & Chief Operating Officer are governed by their contracts of service/employment.
Levels of Remuneration of NEDs	B.2.9	<b>Complied with.</b> NEDs are remunerated in line with market practices.
<b>B.3 Disclosure of Remuneration</b>		
The Company's Annual Report should contain a statement of Remuneration Policy and details of remuneration of the Board as whole.		
Disclosure of Remuneration	B.3.1	<b>Complied with.</b> Refer the Report of the Remuneration Committee for the Remuneration Policy and details of the Remuneration Committee. Aggregate remuneration paid to the Directors is disclosed in the Financial Statements.
<b>C. RELATIONS WITH SHAREHOLDERS</b>		
<b>C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings</b>		
The Code requires that Board uses the AGM to communicate with shareholders and encourage their participation. The Board should encourage all shareholders to attend and actively participate at the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the CEO and the Chairmen of Board Sub-Committees should be present at the AGM to answer any queries.		

Corporate Governance Principle	Reference to Code	Degree of Compliance
Use of proxy votes	C.1.1	<b>Complied with.</b> 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	<b>Complied with.</b> Separate resolutions are placed before shareholders for business transactions at the AGM.
Availability of Chairmen of Board Committees	C.1.3	<b>Complied with.</b> 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	<b>Complied with.</b> 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.
<b>C.2 Communication with Shareholders</b>		
The Board should implement effective communication with Shareholders.		
Channel to reach all shareholders to disseminate timely information	C.2.1	<b>Complied with.</b> Primary modes of communication with shareholders are the Annual Report & AGM. The following channels were also used; <ul style="list-style-type: none"> <li>Financial and other notices as and when required</li> <li>through the Colombo Stock Exchange</li> <li>Corporate website</li> <li>Press notices</li> </ul>
Policy and Methodology of Communication & Implementation	C.2.2 & C.2.3	<b>Complied with.</b> Refer Section C.2.1 above.
Contact Person	C.2.4	<b>Complied with.</b>
Awareness of Directors on major issues and concerns of Shareholders	C.2.5	<b>Complied with.</b> A process has been adopted to ensure that all Directors are aware of the major issues and concerns raised by Shareholders.
Contact Person for Shareholders	C.2.6	The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary.
Process for responding to Shareholders	C.2.7	All shareholder correspondence is via company secretarial division.
<b>C.3 Major and Material Transactions</b>		
The Code requires the Directors to disclose to all shareholders all proposed material transactions which would materially alter the net asset position of the Company.		
Major Transactions	C.3.1	<b>Complied with.</b>

## corporate governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>D. ACCOUNTABILITY AND AUDIT</b>		
<b>D.1 Financial Reporting</b>		
The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
Board's responsibility for Statutory & Regulatory reporting	D.1.1	<b>Complied with.</b> 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	<b>Complied with.</b> Refer Annual Report of the Board of Directors on the affairs of the Company.
Statements by Directors & Auditors on Responsibility for Financial Reporting	D.1.3	<b>Complied with.</b> Refer the Statement of Directors' Responsibility and Report of the Independent Auditors on pages 80 and 83.
Management Discussion and Analysis	D.1.4	<b>Complied with.</b> Refer Management Discussion and Analysis on pages 36 to 45.
Declaration by Directors on the Going Concern of the Business	D.1.5	<b>Complied with.</b> Refer Annual Report of the Board of Directors on the affairs of the Company.
Serious Loss of Capital	D.1.6	Situation has not arisen.
Disclosure of Related Party Transactions	D.1.7	<b>Complied with.</b> Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the Company during the year.
<b>D.2 Internal Control</b>		
The Board has overall responsibility for the system of internal controls to safeguard shareholder's investments and the Company's assets and has delegated certain of these responsibilities to the Board appointed Audit Committee (AC).		
Evaluation of internal controls by the Board	D.2.1	<b>Complied with.</b> 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	<b>Complied with.</b> The internal audit function has been outsourced to a leading firm of Chartered Accountants 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.

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>D.3 Audit Committee</b>		
The Board has delegated its responsibility with regard to financial reporting, internal controls and maintaining an appropriate relationship with the Company's Auditors to the AC. Accounting policies are agreed with auditors and the AC and are applied on a consistent basis.		
Composition of the Audit Committee	D.3.1	<b>Not Complied with.</b> All Members of the AC are NEDs & the Chairman of the Committee during the period was Non Independent. Refer Report of the Audit Committee on page 69.
Duties of the Committee	D.3.2	<b>Complied with.</b> 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	<b>Complied with.</b> 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	<b>Complied with.</b> The details and composition of the AC are provided in the Report of the Audit Committee.
<b>D.4 Code of Business Conduct and Ethics</b>		
The Code requires the Company to adopt an Internal Code of Conduct & Ethics to be followed by all Directors and Key Management Personnel.		
Code of Business Conduct and Ethics	D.4.1	<b>Complied with.</b> 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	<b>Complied with.</b> The Chairman is not aware of any violation of the Company's Code of Ethics.
<b>D.5 Corporate Governance Disclosures</b>		
The company is fully compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for Listed Companies issued by the CSE.		
Annual Corporate Governance Report in the Annual Report	D.5.1	<b>Complied with.</b> This requirement is met through the presentation of this report.

## corporate governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
<b>E INSTITUTIONAL INVESTORS</b>		
<b>E.1 Shareholder Voting</b>		
The Code requires institutional shareholders to make considered use of their votes and encourage to ensure that their voting intentions are translated into practice.		
Regular and structured dialogue with Shareholders	E.1.1	<b>Complied with.</b>  The AGM is used as a forum to have a structured, objective dialogue with Shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.
<b>E.2 Evaluation of Governance Disclosures</b>		
The Code requires the Company to encourage Institutional investors to give due weight to all relevant factors drawn to their attention.		
Due weight by Institutional Investors	E.2.1	<b>Complied with.</b>  The Institutional Investors are at liberty to give due weight to the matters related to the Board structure & composition, when they consider resolutions related to same.
<b>F. OTHER INVESTORS</b>		
<b>F.1 Investing/Divesting Decisions</b>		
The Code requires the Company to encourage other investors to seek independent advice in investing or divesting decisions.		
Seek independent advice in investing or divesting decisions	F.1.1	<b>Complied with.</b>  Individual shareholders are encouraged & at liberty to carry out independent analysis & research and seek independent advice prior to making investing or divesting decisions.
<b>F.2 Shareholder Voting</b>		
The Code requires the Company to encourage individual shareholders to participate at shareholder meetings & exercise their voting rights.		
Encourage voting by Individual Shareholders	F.2.1	<b>Complied with.</b>  All shareholders are encouraged to participate at general meetings and cast their votes & 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. Shelton Peiris       | - Independent Non-Executive Director                                   |
| 2. | Mr. Pushpika Jayasundera | - Executive Director   |
| 3. | Mrs. Champika Atapattu   | - Executive Director   |
| 4. | Mr. Prasann Leanage      | - Non Independent, Non-Executive Director (Resigned w.e.f. 15.05.2018) |
| 5. | Prof. H. Dissabandara    | - Non-Executive Director (Resigned w.e.f. 12.08.2017)                  |
| 6. | Mr. H.S.S. Fernando      | - Non-Executive Director (Resigned w.e.f. 30.06.2017)                  |

All heads of division attend the meetings by invitation and participate in discussion of all potential associated risks together with risk mitigation plan thereof.

## **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, 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 taken 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 actions arising thereof.

## *report of the integrated risk management committee*

- Review compliance with the appropriate company and regulatory guidelines.

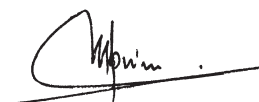
### COMMITTEE EVALUATION

- 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.
- 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 three (03) times during the period under review. The attendance at the meetings were,

Name of Member	Risk Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended
Mr. Shelton Peiris (Appointed on 27th October 2017)	02	02
Mr. Pushpike Jayasundera	03	03
Mrs. Champika Atapattu (New to committee)	02	02
Prof. H. Dissabandara (Resigned 12th August 2017)	01	00
Mr. H.S.S. Fernando (Resigned 30th June 2017)	01	01
Mr. Prasann Leanage (Appointed on 18th October 2017)	02	01



**Mr. Shelton Peiris**

Chairman

*Integrated Risk Management Committee*

28th June 2018

# *report of the audit* **COMMITTEE**

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

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

## **COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee comprises of Three Non-Executive Directors as at year end. The Chairman of the Audit Committee was a Non-Independent, Non-Executive Director, during the period under review. The Audit Committee comprised of the following members;

- Mr. Prasann Leverage - Non Independent Non-Executive  
(Chairman) Director  
(Resigned w.e.f. 15.05.2018)
- Mr. Shelton Peiris - Independent Non-Executive Director
- Dr. Ravi Fernando - Independent Non-Executive Director
- Mr. E.K.I. De Zoysa - Independent Non-Executive Director  
(Resigned from the board audit  
committee w.e.f. 12.08.2017)
- Prof. H. Dissabandara - Non-Executive Director  
(Resigned w.e.f. 12.08.2017)
- Mr. H.S.S. Fernando - Non-Executive Director  
(Resigned w.e.f. 30.06.2017)

## **FUNCTIONS**

The duties of the Audit Committee include keeping under review the scope and results of the audit and its effectiveness, and the 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**

1. Assist the Board in the oversight of the Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with 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. To ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards
4. To assess the Company's ability to continue as a going concern in the foreseeable future
5. Assessing the independence and performance of the Company's external auditors
6. To make recommendations to the Board, pertaining to appointment, re-appointment and removal of external Auditors and to approve the remuneration and terms of engagement of the external Auditors;
7. Discussion of the audit plan, key audit issues and their resolution, management responses and the proposed remuneration of the Auditor
8. Discussion of the Company's annual audited financial statements and quarterly financial statements with management and the Auditor
9. Discussion of the Company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies
10. Discussion of policies and practices with respect to risk assessment and risk management
11. Ensuring that a process of sound system of internal control is in place
12. Ensuring that an effective internal audit function is in place
13. Meeting separately, periodically, with Management, Internal Auditors and External Auditors

## *report of the audit committee*

14. Establishing 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. Assuring confidentiality to whistle blowing employees and formulation of proper 'Whistle-Blowing' Policy
16. Presenting a report to the Board on identified related parties and related party transactions on a regular basis
17. Setting clear hiring policies for employees or former employees of the Auditors
18. Reporting regularly to the Board of Directors.

### FINANCIAL REPORTING SYSTEM

The Committee reviewed 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.

### MEETINGS

The Committee met four (04) times during the period under review. The Chief Executive Officer and the Senior Finance Manager attend the meetings by invitation. The attendances at the meeting were;

Name of Member	Audit Committee Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance %
Prof. H. Dissabandara	02	02	100
Mr. E.K. I. De Zoysa	03	03	100
Mr. H.S.S. Fernando	02	01	50
Mr. P. Leanage	03	02	67
Mr. S. Peiris	03	03	100
Dr. Ravi Fernando	02	02	100

The Committee carried out the following activities;

### FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements 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 rationalize 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 management and the Internal Auditors. The recommendations of the Internal Auditors 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 2019, subject to the approval of the Shareholders at the next Annual General Meeting.

## CONCLUSION

The Board appointed Audit Committee is of the view that 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 misstatements.



**Mr. P. Leanage**

*Chairman Audit Committee*

28th June 2018

# report of the remuneration COMMITTEE

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

- Mr. E.K. I. De Zoysa (Chairman) - Independent, Non-Executive Director
- Mr. Imal Fonseka - Non Independent, Non-Executive Director

## DUTIES AND RESPONSIBILITIES

The Committee was established for the purpose of recommending the remuneration of the Board of Directors including Chairman, CEO and any other Executive Director or 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 reward 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

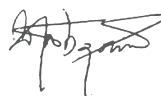
1. The Chief Executive and other relevant Executive Director shall be invited to attend meetings and shall be consulted on the performance and remuneration of Executive Directors and make proposals as necessary.
2. The Committee is authorized by the Board to seek appropriate professional advice inside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

Name of Member	Remuneration Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended
Mr. E.K. I. De Zoysa	01	01
Mr. Imal Fonseka	01	01

The total of Directors' remuneration paid during the year under review is set out in Note 09 to the Financial Statements.



**Mr. Kuvera de Zoysa**

Chairman

Remuneration Committee

28th June 2018



# related party transaction 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.

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

- |    |                         |                                       |
|----|-------------------------|---------------------------------------|
| 1. | Mr. E.K.I. De Zoysa     | - Chairman                            |
| 2. | Mr. Shelton Peiris      | - Member                              |
| 3. | Mrs. Champika Attapattu | - Member                              |
| 4. | Dr. Ravi Fernando       | - Member (Appointed w.e.f.24.11.2017) |
| 5. | Mr. Prasann Leverage    | - Member (Resigned w.e.f. 15.05.2018) |

## 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 Related Party Transaction Committee include;

1. Reviewing and updating the Board on the Related Party Transactions (RPTRC) of the Company
2. Formulating and recommending for adoption by the Board of Directors, a RPT policy consistent with what is proposed by the CSE

3. Ensuring adequate disclosures in the Annual Report
4. Ensuring market disclosures are made as required by the Continuing Listing Requirements of the CSE

## FREQUENCY OF MEETINGS

The Committee which was incorporated on 25th November 2016 and met twice during the period.

On behalf of the Committee,



**Mr. Kuvera de Zoysa**

Chairman

Related Party Transaction Review Committee

28th June 2018

# *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 2018 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 was no significant change in the nature of business of the Company during the year under review that may have a significant impact on the state 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 pages 02 and 03. 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 on pages 14 to 18 and in Chief Executive Officer's Review on pages 20 to 25.

## **FINANCIAL STATEMENTS**

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs/ LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No.07 of 2007. The aforementioned Financial Statements for the year ended 31st March 2018 duly signed by three Directors on behalf of the Board are given on page 87 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 83 to 85.

## **ACCOUNTING POLICIES**

The Accounting Policies which are adopted by the Company in the preparation of Financial Statements are given on pages 90 to 103. They are consistent with those of the previous period.

## **THE BOARD OF DIRECTORS**

As at 31st March 2018, the Board of Directors of the Company consists of nine (09) members. The information of Directors of the Company is available in the Director's Profile on pages 26 to 31. The names of the Directors who held office as at the end of the accounting period are given below:

## **EXECUTIVE DIRECTORS**

Mrs. C.J. Atapattu  
Mr. P. Jayasundera

## **INDEPENDENT, NON- EXECUTIVE DIRECTORS**

Mr. E.K.I de Zoysa	- Chairman
Prof. H. Dissabandara	- (Resigned w.e.f. 12th August 2017)
Mr. H.S.S. Fernando	- (Resigned w.e.f. 30th June 2017)
Mr. M. Shelton Peiris	- (Appointed w.e.f. 04th October 2017)
Dr. R.A. Fernando	- (Appointed w.e.f. 24th November 2017)

## NON-INDEPENDENT, NON-EXECUTIVE DIRECTORS

Mr. D.P. Leanage	- (Appointed w.e.f. 04th October 2017 and resigned w.e.f. 15.05.2018)
Mr. H.F.I.S. Fonseka	- (Appointed w.e.f. 04th October 2017)
Mr. W.A. Lakshman	- (Appointed w.e.f. 04th October 2017)
Mr. K.D.P.C. Abeysekara	- (Appointed w.e.f. 04th October 2017)
Mr. N.D. Gunaratne	- (Appointed w.e.f. 04th October 2017 and resigned w.e.f. 24.11.2017)

## NEW APPOINTMENTS AND RESIGNATIONS TO THE BOARD

Mr. H.F.I.S. Fonseka was appointed to the Board of Multi Finance PLC w.e.f. 04th October 2017

Mr. W.A. Lakshman was appointed to the Board of Multi Finance PLC w.e.f. 04th October 2017

Mr. K.D.P.C. Abeysekara was appointed to the Board of Multi Finance PLC w.e.f. 04th October 2017

Mr. M. Shelton Peiris was appointed to the Board of Multi Finance PLC w.e.f. 04th October 2017.

Dr. R.A. Fernando was appointed to the Board of Multi Finance PLC w.e.f. 24th November 2017.

Mr. H.S.S. Fernando was resigned from the board of Multi Finance PLC w.e.f. 30th June 2017

Prof. H. Dissabandara was resigned from the board of Multi Finance PLC w.e.f. 12th August 2017

Mr. N.D. Gunaratne was appointed to the Board of Multi Finance PLC w.e.f. 04th October 2017 and resigned 24.11.2017

Mr. D.P. Leanage was appointed to the Board of Multi Finance PLC w.e.f. 04th October 2017 and resigned w.e.f. 15.05.2018

## 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.

The Independence of Directors has been determined in terms of the Listing Rules of the Colombo Stock Exchange.

## RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meeting of the Directors and are detailed in Note no 31 to the financial statements.

## DIRECTORS' INTEREST

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

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The Transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note no 31 to the Financial Statements.

## REMUNERATION AND FEES

Details of the Directors remuneration and fees are set out in Note no 09 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

## *annual report of the board of directors on the affairs of the company*

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. Further, there were no material issues pertaining to employees and industrial relations of the Entity.

### AUDITORS

The Company's Auditors during the period under review were Messrs. KPMG. The fees paid to auditor is noted in Note no 09 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 Auditors have expressed their willingness to continue in office.

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 83 to 85 of the Annual Report.

### STATED CAPITAL

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

### BOARD SUB COMMITTEES

The relevant sub committee reports are given on pages 67 to 73.

### DIRECTOR'S SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2018 are as follows.

	31.03.2017	31.03.2018
Mr. E. K. De Zoysa	Nil	Nil
Ms. C. J. Atapattu	20,575	20,575
Mr. P. Jayasundera	Nil	Nil
Mr. D. P. Liyanage	Nil	Nil
(Resigned w.e.f. 15.05.2018)		
Mr. H. F. I. S. Fonseka	Nil	Nil
Mr. M. Shelton Peiris	Nil	Nil
Mr. K. D. P. C. Abeysekara	Nil	Nil
Mr. W. A. Lakshman	13,135	14,391
Dr. R. A. Fernando	Nil	Nil
Mr. N. D. Gunaratne	Nil	Nil
(Resigned w.e.f. 24.11.2017)		
Prof. H. Dissabandara	Nil	Nil
(Resigned w.e.f. 12.08.2017)		
Mr. H. S. S. Fernando	Nil	Nil
(Resigned w.e.f. 30.06.2017)		

### SHAREHOLDERS

There were 851 shareholders registered as at 31st March 2018. The details of the distribution are given on page 132 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 132 to 133 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 and 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 69 to 71.

## COMPLIANCE

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

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

## 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.

## 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 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.

## PROPERTY, PLANT & EQUIPMENT

The movement in property, plant and equipment during the year under review is set out in Note no 21 of the Financial Statements.

The Directors are of the opinion that the carrying amount of properties stated in Note no 21 to the financial statements reasonably reflects their fair values.

## EVENTS AFTER THE REPORTING DATE

No circumstances have arisen and no material events have occurred since the Balance Sheet date which would require adjustments to, or disclosure in the accounts other than those disclosed in the Financial Statements and this report.

## GOING CONCERN

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

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, 25th September 2018 at 3.00 p.m. at the Lecture Hall 03, Sri Lanka Foundation, No.100, Padanama Mawatha, Independence Square, Colombo 07.

The notice of the Annual General Meeting appears on page 134.

## 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.



**Kuvera de Zoysa**

Chairman



**Pushpika Jayasundera**

Director/ CEO



**Business Intelligence (Private) Limited**

Secretaries

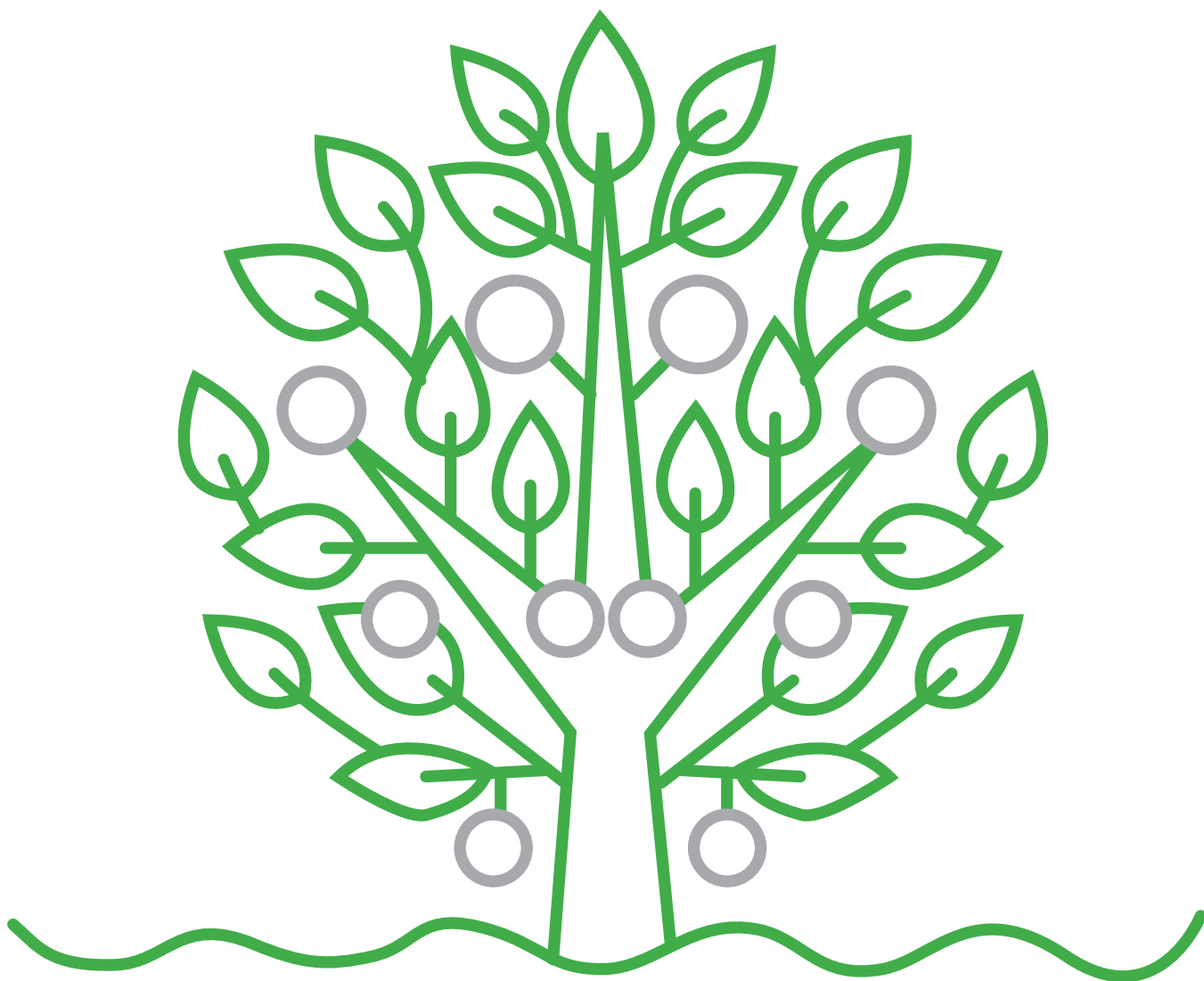
28th June 2018

Colombo

# Financial Reports

Statement of Directors' Responsibility	/ 80
Independent Auditor's Report on Internal Control over Financial Reporting	/ 81
Directors' Statement on Internal Control Over Financial Reporting	/ 82
Independent Auditor's Report	/ 83
Statement of Profit or Loss and Other Comprehensive Income	/ 86
Statement of Financial Position	/ 87
Statement of Changes in Equity	/ 88
Statement of Cash Flows	/ 89
Notes to the Financial Statements	/ 90





# Sharing Value

Financial Reports

# Statement of Directors' Responsibility

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

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2017/2018, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

**BY ORDER OF THE BOARD  
MULTI FINANCE PLC**



**Company Secretary**

28th June 2018

# Independent Auditor's Report 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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Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## TO THE BOARD OF DIRECTORS OF MULTI FINANCE PLC

### Introduction

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 2018.

### Management's responsibility for the statement of Internal Control

Management is responsible for the preparation and presentation of the statement in accordance with the section 10 (2) of Finance Companies (corporate governance) direction no. 03 of 2008 and its amendments issued by the Central Bank of Sri Lanka.

### Scope of the engagement in Compliance with SLSAE 3000

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 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information 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 system of internal control for the Company.

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

- a) Enquired the directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- b) Obtained the "findings report" issued by the Company's outsourced internal auditors covering the following processes in the Head Office branch only and reviewed the documentation prepared by the internal auditors to support their statement on;
  - Recovery of Loans and Advances.
  - Administration.
  - Legal.
  - Fixed assets.

- c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.
- d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- e) 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.
- f) Attended meetings of the audit committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission of the Board of Directors.
- g) 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.

SLSAE 3000 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3000 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.

### Our conclusion

Based on the procedures performed, it was noted that the outsourced internal auditors have assessed selected controls at the head office focusing on recovery, administration, legal and fixed assets with regard to the Internal Control system over financial reporting as stated in point (b) above and 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,

22 August 2018.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

# *Directors' Statement on Internal Control Over Financial Reporting*

## **RESPONSIBILITY**

In line with the section 10(2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, 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 mechanism in place at Multi Finance PLC. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. 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 at the head office as a starting point.

## **CONFIRMATION**

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

## **EXTERNAL AUDITORS CERTIFICATION**

The external auditors have submitted a certification on the process adopted by the Directors on the systems of internal controls of Financial Reporting. Any matters addressed by the External Auditors and the outsourced internal auditors will be considered and appropriate steps would be taken to rectify them in the future.

By Order of the Board,



**Prasann Leanage**

Chairman – Board Audit Committee



**Pushpika Jayasundera**

Director/ CEO

28th June 2018

# 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, 2018, and the statement of 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 set out on pages 86 to 131 of the Annual Report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its 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.

### 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.

### Provision for Impairment of Loans and Advances

As described in Note 3.1.1.7 (Accounting policies) and Notes 14, 15 and 16 (Loans and advances) Company has estimated Rs. 73,083,552 as impairment provision for Loans and Advances as at 31st March 2018.

### Risk Description

We have identified the assessment of the impairment of loans and advances to customers as a key audit matter since there is a high degree of complexity and judgment involved on the Company's part in estimating individual and collective credit impairment provisions against these loans. These features have resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions. Changes to these assumptions may considerably impact the required level of impairment provision.

### Our Response:

Our audit Procedures included;

- Testing of design, implementation and operating effectiveness of key controls over acceptance, monitoring and reporting of credit risk.
- Testing application controls, with the involvement of our own IT Specialist, over aging computation over loans and receivables and over the completeness and accuracy of data extraction.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

## *Independent Auditor's Report*

- Validating of the accuracy of the collective and individual impairment models by re-performing the calculations.
- assessing the methodologies used against our interpretation of the requirements of the relevant accounting standards and our wider industry experience.
- Challenging the appropriateness of key assumptions, including collateral valuations and forecast cash flows, based on our knowledge of the business and industry practice and the actual past experience of the Company's loan portfolios.
- 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 the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, We are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.



**Chartered Accountants**

Colombo, Sri Lanka

29 June 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March

	Notes	2018 Rs.	2017 Rs.
<b>Income</b>	4	<b>235,416,652</b>	158,164,595
Interest income	5	204,173,082	131,092,044
Interest expenses	6	(64,892,696)	(53,608,993)
<b>Net interest income</b>		<b>139,280,386</b>	77,483,051
Fee and commission income	7	22,270,734	24,178,108
Other income	8	8,972,836	2,894,443
<b>Net income from operations</b>		<b>170,523,956</b>	104,555,602
<b>Operating expenses</b>			
Personnel cost		(67,598,026)	(49,158,444)
Net impairment of available-for-sale financial assets		(165,794)	(2,802,983)
Depreciation and amortization charge		(3,984,668)	(4,271,292)
Other operating expenses		(80,875,276)	(67,422,939)
<b>Total operating expenses</b>		<b>(152,623,764)</b>	(123,655,658)
<b>Profit/(Loss) before impairment and taxation</b>		<b>17,900,192</b>	(19,100,056)
Impairment (charge)/reversal for loan and other advances		(45,958,055)	(25,329,710)
<b>Profit/(Loss) before taxation and VAT on Financial Services</b>	9	<b>(28,057,863)</b>	(44,429,766)
Value Added Tax on Financial Services		(5,880,379)	(1,617,131)
<b>Profit/(Loss) before taxation</b>		<b>(33,938,242)</b>	(46,046,897)
Income Tax (Expense)/Reversal	10	16,987,657	5,858,360
<b>Profit/(Loss) for the period</b>		<b>(16,950,585)</b>	(40,188,537)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of retirement benefit obligation	25	97,172	498,417
Tax on actuarial gain		(27,208)	(139,557)
		<b>69,964</b>	358,860
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Reclassification of Available for sale reserve to profit / loss		(1,807,499)	-
Net change in fair value of available-for-sale financial assets		73,501	49,026
		<b>(1,733,998)</b>	49,026
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,664,034)</b>	407,886
<b>Total comprehensive income / (expense) for the period</b>		<b>(18,614,619)</b>	(39,780,651)
Earnings/(Loss) per share (Rs.)	11	(0.27)	(1.51)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 131 form an integral part of these financial statements.

# Statement of Financial Position

	Notes	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
<b>ASSETS</b>			
Cash and cash equivalents	12	94,163,856	639,038,484
Placements with Banks and other financial institutions		233,069,642	-
Fair value through profit or loss financial assets	13	-	766,878
Rental receivable on lease	14	333,913,312	108,185,846
Rental receivable on hire purchase	15	12,643,028	43,260,175
Advance and other loans	16	850,737,233	443,491,180
Trade and other receivables	17	50,523,101	31,939,499
Inventories	18	668,000	-
Income tax receivables		4,452,003	2,157,186
Available for sale financial assets	19	8,071,749	10,733,062
Intangible assets	20	1,417,849	669,584
Property, plant & equipment	21	12,426,351	7,900,371
Deferred Tax Asset	26	31,748,786	13,391,037
<b>TOTAL ASSETS</b>		<b>1,633,834,910</b>	<b>1,301,533,302</b>
<b>LIABILITIES AND EQUITY</b>			
Due to banks and financial institutions	12	75,126,583	43,175,437
Deposits due to customers	22	649,996,600	368,412,116
Other borrowings	23	-	17,455,656
Trade and other payables	24	97,768,754	43,794,412
Retirement benefit obligation	25	5,137,175	4,275,264
<b>TOTAL LIABILITIES</b>		<b>828,029,112</b>	<b>477,112,885</b>
<b>EQUITY</b>			
Stated capital	27	898,375,289	898,375,289
Statutory Reserve Fund	28.1	5,389,222	5,389,222
General Reserve	28.2	11,266,050	11,266,050
Available For Sale Reserve	28.3	280,939	2,014,937
Retained earnings		(109,505,702)	(92,625,081)
<b>TOTAL EQUITY</b>		<b>805,805,798</b>	<b>824,420,417</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,633,834,910</b>	<b>1,301,533,302</b>
Net Assets Per Share (Rs.)		12.67	12.96

Figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 131 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.

  
**Mr. A. M. Galbadaarachchi**  
 Senior Finance Manager

  
**Mr. P. Jayasundera**  
 Director / 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

  
**Mrs. C. J. Atapattu**  
 Non Independent /Executive Director

  
**Mr. Kuvera De Zoysa**  
 Chairman - Independent Non Executive Director

28 June 2018  
 Colombo

# Statement of Changes in Equity

For the year ended 31st March 2018	Stated Capital	Statutory Reserve Fund	General Reserve	Available For Sale Reserve	Retained Earnings/ Accumulated Losses	Total
	Rs	Rs	Rs	Rs	Rs	Rs
<b>Balance as at 01st April 2016</b>	346,990,186	5,389,222	11,266,050	1,965,911	(52,795,404)	312,815,965
Issue of shares during the year	551,385,103	-	-	-	-	551,385,103
Profit/(Loss) for the Period	-	-	-	-	(40,188,537)	(40,188,537)
Other comprehensive income net of tax for the year	-	-	-	49,026	358,860	407,886
<b>Balance as at 31st March 2017</b>	898,375,289	5,389,222	11,266,050	2,014,937	(92,625,081)	824,420,417
<b>Balance as at 01st April 2017</b>	898,375,289	5,389,222	11,266,050	2,014,937	(92,625,081)	824,420,417
Transfer to Statutory Reserve Fund	-	-	-	-	-	-
Profit/(Loss) for the Period	-	-	-	-	(16,950,585)	(16,950,585)
Other comprehensive income net of tax for the year	-	-	-	(1,733,998)	69,964	(1,664,034)
<b>Balance as at 31st March 2018</b>	898,375,289	5,389,222	11,266,050	280,939	(109,505,702)	805,805,798

Figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 131 form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31st March 2018

	Notes	2018 Rs	2017 Rs.
Profit/(Loss) Before Taxation		(33,938,242)	(46,046,898)
<b>Adjustments for :</b>			
Provision for Retirement Benefit Plans		1,536,583	1,223,422
Depreciation on Property, Plant and Equipment		3,401,933	3,726,056
Interest Expenses		64,892,696	53,608,993
Amortisation of Intangible Assets		582,735	545,236
(Profit)/Loss on disposal of Property, Plant & Equipment		(889,672)	(263,960)
Impairment charge/(reversal) for loan and other advances		45,958,055	25,329,710
Profit from Sale of Dealing Securities		(2,320,051)	-
Provision/(reversal) for diminution in share value		(210,498)	90,247
(Profit)/Loss on pawning auction		(96,231)	-
Impairment of AFS Investment		165,794	2,802,983
(Profit)/Loss on disposal of Repossessed Stock		373,422	1,841,748
Interest Income on Government Securities		(701,461)	(701,461)
Interest Income on FD		(16,652,681)	-
Interest Income on Reverse Repurchase Agreements		(32,707,692)	(5,847,756)
		29,394,690	36,308,320
<b>Changes in working capital :</b>			
(Increase)/Decrease in Investment in Hirepurchase, Lease and Other Loans		(655,404,373)	172,667,250
(Increase)/Decrease in Trade & Other Receivables		(21,418,188)	5,562,170
(Increase)/Decrease in Inventories		(668,000)	-
Increase/ (Decrease) in Deposits from Customers		281,584,484	(171,557,061)
Increase/ (Decrease) in Other Borrowings		-	11,237,550
Increase/ (Decrease) in Trade & Other Payables		53,974,342	(41,684,012)
<b>Cash generated from Operating Activities</b>		<b>(312,537,045)</b>	<b>12,534,217</b>
Income Tax Paid		(787,383)	(3,977,370)
Gratuity Paid		(577,500)	(560,500)
Interest Paid		(64,892,696)	(53,608,990)
<b>Net cash generated / (used) in Operating Activities</b>		<b>(378,794,624)</b>	<b>(45,612,643)</b>
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(8,043,436)	(6,983,952)
Proceeds from sale of Property, Plant & Equipment		1,005,197	335,002
Cash Received from Pawning Auction		6,812,753	6,822,898
Proceeds from disposal of investment securities		4,690,261	-
Purchase of Intangible Assets		(1,331,000)	(120,000)
Interest Receipt on Government Securities		-	701,461
Interest Receipt on FD		16,652,682	-
Interest Receipt on Reverse Repurchase Agreements		32,707,692	5,847,756
Investment in Fixed deposits		(233,069,642)	-
<b>Net cash generated from Investing Activities</b>		<b>(180,575,492)</b>	<b>6,603,165</b>
<b>Cash flow from Financing Activities</b>			
New share issue during the year		-	551,385,103
Loans repayments during the year		(17,455,656)	(55,384,615)
<b>Net cash generated / (used) in Financing Activities</b>		<b>(17,455,656)</b>	<b>496,000,487</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(576,825,773)</b>	<b>456,991,009</b>
Cash & Cash Equivalents at the Beginning of the period		595,863,046	138,872,037
<b>Cash &amp; Cash Equivalents at the end of the period</b>	12	<b>19,037,273</b>	<b>595,863,046</b>
<b>Analysis of Cash &amp; Cash Equivalents</b>			
<b>Favourable balance</b>			
Investment in Repurchase Agreements		65,500,000	74,899,999
Cash at Bank		21,114,116	558,424,011
Cash in Hand		7,549,740	5,714,474
		94,163,856	639,038,484
<b>Unfavourable balance</b>			
Bank overdrafts		(75,126,583)	(5,175,437)
Loans against Reverse Repos		-	(38,000,000)
		(75,126,583)	(43,175,437)
		19,037,273	595,863,047

Figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 131 form an integral part of these financial statements.

# Notes to the Financial Statements

## I. REPORTING ENTITY

Multi Finance PLC is a company incorporated and domiciled in Sri Lanka and listed on the Dirige Savi Board of the Colombo Stock Exchange. The company is regulated under the Finance Business Act No. 42 of 2011. The Company's registered office is located at The Fairways, No. 100, Buthgamuwa Road, Rajagiriya and the principal place of business is from the same place.

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

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

## 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.

The financial statements for the year ended 31 March 2018 were authorized for issue by the Board of Directors in accordance with the resolution passed on 28 June 2018.

### 2.2 Responsibility for Financial Statements

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

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

- Information on the financial performance of the company for the year under review.
- Information on the financial position of the company as at the year end.
- Showing 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 instruments designated at fair value through profit or loss are measured at Fair value;
- Available for sale financial assets are measured at fair value;
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation.

An analysis of financial instruments measured at fair value as at the end of the reporting period, by the level of the fair value hierarchy is given in Note 29.2.

### 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 35.

## 2.6 Use of Estimate and Judgment

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 expense. Actual amount may defer from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

<b>Critical accounting estimate/judgment</b>	<b>Note Reference</b>
Income Tax Expense	10
Impairment of Leases	14
Impairment of Hire Purchase	15
Impairment of Advance and Other Loans	16
Retirement Benefit Obligation	25
Deferred Tax	26

## 2.7 Materiality and Aggregation

Each material class of similar items are presented separately in the financial statements. Items which are dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka

Accounting Standard LKAS 1 'Presentation of Financial Statements'.

## 2.8 Going Concern

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 continue to be prepared on a going concern basis.

## 2.9 Comparative Figures

The Company has consistently applied the accounting policies with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

### 3.1 Assets and Liabilities and Basis of Measurement

#### 3.1.1 Financial Assets and Financial Liabilities

##### 3.1.1.1 Recognition

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, at 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 available for sale financial assets any changes in fair value from the trade date to settlement date is accounted in the statement of other comprehensive income.

## Notes to the Financial Statements

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

### 3.1.1.2 Classification

#### a) Financial assets

The Company classifies its financial assets in one of the following categories

- Loans and receivables
- Available for sale or
- At fair value through profit or loss

#### *Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management and investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income which are recognised in profit or loss.

Financial assets at fair value through profit or loss comprise of investments in quoted equity shares.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise total loans and advances, reverse repurchase agreements and cash and cash equivalents.

#### *Available for sale financial assets (AFS)*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Interest income on Available-for-sale financial assets is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Unquoted equity securities whose fair value cannot reliably be measured or deemed immaterial are carried at cost. All other available for sale investments are carried at fair value.

#### b) Financial liabilities

The Company classifies its financial liabilities, other than guarantees and loan commitments as measured at amortised cost

#### *Financial liabilities at amortized cost*

Financial liabilities not classified as fair value through profit or loss are classified as amortized cost instruments. Deposit liabilities including non-interest bearing deposits, savings deposits, term deposits, deposits redeemable at call and certificates of deposit and borrowings are classified as financial liabilities measured at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

### 3.1.1.3 Reclassifications

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted following initial recognition.

A non-derivative financial asset Held for Trading that would have met the definition of Loans and Receivables (if the financial asset had not been required to be classified as held for trading at initial recognition) may be reclassified out of the Fair Value through Profit or Loss category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Financial assets are transferred out of the Available-for-sale category to the Loan and Receivables category where they would have met the definition of a Loan and Receivable at the date of reclassification and the Bank has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the Available-for-sale category into Loans and Receivables, any gain or loss on those assets recognised in Shareholders' Equity prior to the date of reclassification is amortised to profit or loss over the remaining life of the financial asset, using the effective interest method.

### 3.1.1.4 De recognition

#### *Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of

the financial asset are transferred or 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 transferred), 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 other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

#### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

### 3.1.1.5 Fair Value measurement

SLFRS 13 defines fair value as 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. A Fair value measurement requires an entity to determine all the following;

- The particular asset or liability that is the subject of the measurement
- For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).

## Notes to the Financial Statements

- The principal (or most advantageous) market for the asset or liability.
- The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

The principal or the most advantageous market must be accessible to the Company. The fair value of a liability reflects its non-performance risk. The fair value of an asset and liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for the instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing the transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidence neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently that difference is

recognised in profit or loss on an appropriate basis over the life of the instruments but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### 3.1.1.6 Offsetting

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 offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under Sri Lanka Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Company trading activity.

### 3.1.1.7 Identification, measurement and assessment of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes,

- Default or delinquency by a debtor
- Significant financial difficulty of the borrower or issuer
- Indications that a debtor or issuer will enter bankruptcy
- Adverse changes in the payment status of borrowers or issuers
- The disappearance of an active market for a security or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment.

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous group of loans that are not considered individually significant.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative

loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

a)

#### **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, 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 real estate is valued by an external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

b)

#### **Rescheduled Loans**

Loans whose original terms have been modified including those subject to forbearance strategies are considered rescheduled loans. If the renegotiations are on terms that are not consistent with those readily available on the

## Notes to the Financial Statements

market, this provides objective evidence of impairment. Once terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan/advance is no longer considered past due. Management continually reviews renegotiated loans and advances to ensure that all criteria are met and the future payments are likely to occur.

### 3.1.2 Intangible Assets

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

#### a) Basis of Recognition

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

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

#### i) Software

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

#### b) Subsequent Expenditure

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

#### c) Amortization

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

#### d) Retirement and Disposal

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

### 3.1.3 Property, Plant and Equipment

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

#### a) Basis of Recognition

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

#### b) Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour; any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.



Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

**c) Subsequent Costs**

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

**d) De-recognition**

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

**e) Depreciation**

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

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

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

**3.1.3.1 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.

**3.1.4 Liabilities and provisions**

**3.1.4.1 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

## Notes to the Financial Statements

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

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

The gratuity liability is not externally funded.

### b) Defined Contribution Plan

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

### i) Employees' Provident Fund

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

### ii) Employees' Trust Fund

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

### 3.1.4.2 Dividend Payable

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

### 3.1.4.3 Other Liabilities

Other Liabilities include interest, fees and expenses and amounts payable to suppliers and other provisions. These liabilities are recorded at amounts expected to be payable at the reporting date.

## 3.2 Income and Expense Recognition

### 3.2.1 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees 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 liability.

Interest income and expense presented in the Statement of Profit or Loss and Other Comprehensive Income include Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### 3.2.2 Dividend

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

### 3.2.3 Fee and Commission Income

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

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

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

#### Expense Recognition

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

### 3.2.5 Fee and Commission Expenses

Fee and commission expenses are recognized on an accrual basis.

### 3.2.6 Income Tax Expense

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

#### i) *Current Tax*

Current tax is the expected tax payable on the taxable income for the year; using tax rates enacted or substantively enacted on the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

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 10 of 2006 and the amendments thereto at the schedule specified in Note 10.

#### ii) *Deferred Tax*

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The base for the computation of Value Added Tax on Financial Services is the accounting profit before

## Notes to the Financial Statements

income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

iv) ***Withholding Tax on Dividends, distributed by the Company***

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

### 3.3 Maturity Analysis

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

### 3.4 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.

### 3.5 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment. The Company has four reportable segments, as described in the Note 36

### 3.6 Events after the reporting period

All material events after the Statement of Financial Position date have been considered and where appropriate adjustments to / or disclosures have been made in the respective notes to the Financial Statement.

### 3.7 Commitment and Contingencies

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

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

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

A number of new standards and amendments to standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these financial Statements and the Company plans to apply these standards on the respective effective dates.

Accounting standard	Summary of the requirements	Possible impact on Financial Statements
SLFRS 9 – “Financial Instruments”	<p>SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – “Financial Instruments: Recognition and Measurement” is effective for annual reporting periods beginning on or after January 1, 2018. The key aspects of SLFRS 9 are;</p> <p><b>1. Classification – Financial assets</b></p> <p>SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.</p> <p>SLFRS 9 includes three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing LKAS 39 categories of Held to maturity, Loans and receivables and Available for sale.</p> <p><b>2. Impairment – Financial assets, loan commitments and financial guarantee contracts</b></p> <p>SLFRS 9 replaces the “Incurred Loss Model” in LKAS 39 with forward looking “Expected Loss Model” (ECL). This will require considerable judgement over how changes in economic factors affect ECL, which will be determined on a probability weighted basis.</p> <p>SLFRS 9 requires loan loss to be recognised at an amount equal to either 12 month ECL or life time ECL. Lifetime ECLs are the ECLs that result from possible default events over the expected life of a financial instrument, whereas 12 months ECLs are the portion of the ECLs that results from default events that are possible within 12 months after the Reporting date.</p>	<p>SLFRS 9 is applicable to the Company with effect from 1st April 2018.</p> <p>The most significant impact on the Finance company's financial statements from the implementation of SLFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments within the scope of SLFRS 9.</p> <p>The Company has started the initial assessment of the potential impact on its Financial Statements for the year ended March 31, 2018, resulting from the application of SLFRS 9 with the assistance of an external consultant. The impact of the implementation of the standard is not yet finalized.</p>

## Notes to the Financial Statements

Accounting standard	Summary of the requirements	Possible impact on Financial Statements
SLFRS 9 – “Financial Instruments”	<p><b>3. Inputs into measurement of ECLs</b></p> <p>The key inputs into measurement of ECLs are likely to be the term structures of the following variables which will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward looking information.</p> <ul style="list-style-type: none"> <li>• Probability of Default (PD) are estimates at a certain date which will be calculated based on statistical models and assessed using rating tools tailored to the various categories of counterparties and exposures.</li> <li>• Loss Given Default (LGD) is the magnitude to the likely loss if there is default. The Company estimates LGD parameters based on history of recovery rates of claims against defaulted counter parties.</li> <li>• Exposure at Default (EAD) represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential chances to the current amount allowed under the contract.</li> </ul>	
SLFRS 15 - ‘Revenue from Contracts with Customers’	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognized when or as an entity</p> <p>transfers control of goods and services to a customer at the amount to which the entity expects to be entitled.</p> <p>SLFRS 15 replaces existing revenue recognition guidance, including LKAS 18 on ‘Revenue’ and LKAS 11 on ‘Construction Contracts’ and IFRIC 13 on “Customer Loyalty Programmes”.</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after January 01st, 2018.</p>	<p>SLFRS 15 is applicable to the Company with effect from 1st April 2018.</p> <p>The Company has not assessed the impact on its Financial Statements resulting from the application of SLFRS 15.</p>



<b>Accounting standard</b>	<b>Summary of the requirements</b>	<b>Possible impact on Financial Statements</b>
SLFRS 16 - 'Leases'	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance sheet finance leases and Off- Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p> <p>SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019</p>	The Company has not assessed the impact on its Financial Statements resulting from the application of SLFRS 16.

## Notes to the Financial Statements

For the year ended 31st March		2018 Rs.	2017 Rs.
<b>4.</b>	<b>INCOME</b>		
	Interest Income (Note 5)	204,173,082	131,092,044
	Other Operating Income (Note 7)	22,270,734	24,178,108
	Other Income (Note 8)	8,972,836	2,894,443
		<b>235,416,652</b>	<b>158,164,595</b>
<b>5.</b>	<b>INTEREST INCOME</b>		
	Lease Finance	32,942,319	20,809,255
	Hire Purchase	3,625,501	14,741,726
	Loans	84,096,841	59,030,304
	Fixed Deposit Loans	1,998,162	929,047
	Pawning	28,561,898	23,788,813
	Micro Finance	172,470	3,966,078
	Reverse Repurchase Agreements	32,707,692	5,847,756
	Treasury Bonds	701,461	701,461
	Placements with Banks and other financial institutions	16,652,681	-
	Money market/ Savings interest	2,714,057	1,277,604
		<b>204,173,082</b>	<b>131,092,044</b>
<b>5.1</b>	<b>Notional Credit for Withholding Tax on Government Securities on Secondary Market Transactions</b>		
	Section 137 of the Inland Revenue Act No. 10 of 2006 provides that a Company which derives interest income from the secondary market transactions in Government securities be entitled to a notional tax credit (being one ninth of the net interest income), provided such interest income forms part of the statutory income of the Company for that year of assessment.		
For the year ended 31st March		2018 Rs.	2017 Rs.
<b>6.</b>	<b>INTEREST EXPENSES</b>		
	Fixed Deposits	60,110,228	46,247,282
	Savings Deposits	357,971	379,325
	Repurchase Agreements	3,499,522	1,140,438
	Bank Loans	924,975	5,841,948
		<b>64,892,696</b>	<b>53,608,993</b>
<b>7.</b>	<b>FEE AND COMMISSION INCOME</b>		
	Default Charges	8,120,607	8,489,137
	Service / Documentation Charges	4,269,001	2,480,636
	Termination Income on Lease, Hire Purchase & Loans	8,627,313	11,661,833
	Transfer fee	468,383	929,181
	Other Charges	785,430	617,321
		<b>22,270,734</b>	<b>24,178,108</b>

For the year ended 31st March

2018  
Rs.2017  
Rs.**8. OTHER INCOME**

Insurance Commission	827,500	678,021
Profit on disposal of Fixed Assets	889,672	263,960
Profit/(Loss) on Repossessed Stock	(373,422)	(1,841,748)
Profit on Pawning Auction	96,231	-
Dividend Income	30,537	129,460
Profit from Sale of Dealing Securities	2,320,051	-
Fair value change in Dealing Securities	210,498	(90,247)
Sundry Income	4,971,769	3,754,997
	<b>8,972,836</b>	<b>2,894,443</b>

**9. PROFIT/(LOSS) BEFORE TAXATION AND VALUE ADDED TAX ON FINANCIAL SERVICES (VAT ON FS)**

is stated after charging all the expenses including the following:

Auditor's Remuneration	928,865	636,000
Depreciation of Property, Plant and Equipment	3,401,932	3,726,056
Amortization of Intangible Assets	582,735	545,236
Directors' Emoluments	11,854,467	6,178,000
Defined Benefit Plan - Retirement obligation	1,536,583	1,223,422
Personnel Costs include,		
Salaries and wages	55,222,883	41,035,495
Defined Contribution Plan - EPF	6,490,427	4,775,155
- ETF	1,622,607	1,193,789
Other Staff related Cost	2,725,527	930,582
Provision for retirement benefit obligation	1,536,583	1,223,422

**10. INCOME TAX EXPENSES**

Current tax expense

**TAXATION**

Current Income Tax Expense on Profits for the Year (Note 10.1)	-	-
(Over) / under provision in respect of previous year	1,397,300	-
	<b>1,397,300</b>	<b>-</b>
Deferred Tax Charge / (Reversal) for the Year (Note 26)	(18,384,957)	(5,858,360)
<b>Total charge/(reversal) to Profit or Loss</b>	<b>(16,987,657)</b>	<b>(5,858,360)</b>
Deferred Tax Charge / (Reversal) recognized in (OCI) (Note 26)	27,208	139,557
<b>Total charge/(reversal) in OCI</b>	<b>27,208</b>	<b>139,557</b>

## Notes to the Financial Statements

For the year ended 31st March	2018 Rs.	2017 Rs.
<b>10.1 Reconciliation between Accounting Loss and Taxable Profit / (Loss)</b>		
Accounting Profit/(Loss) before Income Tax expenses	(33,938,242)	(46,046,898)
Income from other sources and exempt income	(3,450,758)	(2,350,794)
Aggregate Disallowed Items	101,333,881	79,088,984
Aggregate Allowable Expenses	(102,073,808)	(47,002,891)
Taxable Profit / (Loss)	(38,128,928)	(16,311,599)
Tax Profit/(Loss) from other business	(811,693)	(19,423,995)
Taxable Profit from Leasing business	(37,317,235)	3,112,396
Tax loss claimed during the year	-	-
Assessable Income/ Taxable Profit / (Loss)	(38,128,928)	(16,311,599)
Income tax @ 28%	-	-

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto. Accordingly, income tax on the profit of the company has been computed at the rate of 28% on the taxable income.

For the year ended 31st March	2018 Rs.	2017 Rs.
<b>10.2 Reconciliation of Tax Loss from Leasing Business</b>		
Tax loss B/F	-	-
Adjustment to Tax loss brought forward	-	-
Tax loss for the year	37,317,235	-
Tax loss utilized during the year	-	-
Tax loss C/F	37,317,235	-
<b>10.3 Reconciliation of Tax Loss from Other Business</b>		
Tax loss B/F	70,037,735	53,784,449
Adjustment to Tax loss brought forward	2,234,206	(58,313)
Tax loss for the year	811,693	16,311,599
Tax loss utilized during the year	-	-
Tax loss C/F	73,083,634	70,037,735

## 11 EARNINGS/(LOSS) PER SHARE

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

For the year ended 31st March	2018 Rs.	2017 Rs.
Profit/(Loss) attributable to ordinary share holders (Rs.)	(16,950,585)	(40,188,537)
Weighted average number of ordinary shares outstanding during the year	63,610,181	26,633,221
Earnings/(Loss) per share (Rs.)	(0.27)	(1.51)
As at 31st March	2018 Rs.	2017 Rs.

## 12. CASH AND CASH EQUIVALENTS

<b>Favourable balance</b>		
Investment in Repurchase Agreements	65,500,000	74,899,999
Cash at Bank	21,114,116	558,424,011
Cash in Hand	7,549,740	5,714,474
	94,163,856	639,038,484
<b>Unfavourable balance</b>		
Bank overdrafts	(75,126,583)	(5,175,437)
Loans against Repurchase Agreements	-	(38,000,000)
	(75,126,583)	(43,175,437)
<b>Net Cash &amp; Cash Equivalents for the Purpose of Statement of Cash Flows</b>	<b>19,037,273</b>	<b>595,863,047</b>

## Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.
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### 13. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Quoted Investments (Note 13.1)	-	766,878
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As at 31st March	2018			2017		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.

#### 13.1 Quoted Investments

Ceylon Leather Products PLC	Nil	-	-	9,882	1,024,642	533,628
Maskeliya Plantation PLC	Nil	-	-	10,000	320,041	77,000
York Arcade PLC	Nil	-	-	12,500	510,047	156,250
		-	-		1,854,730	766,878
Less : Provision for diminution in value		-			(1,087,852)	
		-			766,878	

As at 31st March	2018 Rs.	2017 Rs.
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### 14. RENTALS RECEIVABLE ON LEASED ASSETS

#### Receivable from over five years

Rentals Receivable	2,960,760	99,983
Less: Unearned Income	(267,146)	(1,746)
Rentals Received in Advance	-	-
	2,693,614	98,237

#### Receivable from one year to five years

Rentals Receivable	305,907,203	83,326,000
Less: Unearned Income	(77,325,687)	(15,637,391)
Rentals Received in Advance	(29,997)	(785,880)
	228,551,519	66,902,729

#### Receivable from within one years

Rentals Receivable	157,114,887	56,917,112
Less: Unearned Income	(52,920,520)	(15,552,900)
Rentals Received in Advance	(714,078)	-
<b>Total</b>	<b>103,480,289</b>	<b>41,364,212</b>

Total Rentals Receivable	465,982,851	140,343,095
Less: Unearned Income	(130,513,354)	(31,192,037)
Rentals Received in Advance	(744,075)	(785,880)
Provision for impairment of finance leases (Note 14.1)	(812,110)	(179,332)
	333,913,312	108,185,846

As at 31st March

2018  
Rs.2017  
Rs.**14.1 Movement in Impairment Charge for Rentals Receivable on Leased Assets**

Balance at the beginning of the year	179,332	-
Provision/(reversal) during the year	632,778	179,332
Balance at the end of the year	812,110	179,332

**15. RENTALS RECEIVABLE ON HIRE PURCHASE****Receivable from over five years**

Rentals Receivable	-	-
Less: Unearned Income	-	-
Rentals Received in Advance	-	-
	-	-

**Receivable from one year to five years**

Rentals Receivable	4,798,013	19,891,744
Less: Unearned Income	(420,304)	(2,461,801)
Rentals Received in Advance	(95,070)	(1,211,665)
	4,282,639	16,218,278

**Receivable from within one years**

Rentals Receivable	10,049,092	33,000,261
Less: Unearned Income	(1,188,262)	(5,145,785)
Rentals Received in Advance	(106,800)	
<b>Total</b>	<b>8,754,030</b>	<b>27,854,476</b>

Total Rentals Receivable	14,847,105	52,892,005
Less: Unearned Income	(1,608,565)	(7,607,586)
Rentals Received in Advance	(201,870)	(1,211,665)
Provision for impairment of Hire Purchase (Note 15.1)	(393,642)	(812,579)
	12,643,028	43,260,175

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

Balance at the beginning of the year	812,579	80,336
Provision/(reversal) during the year	(418,937)	732,243
Balance at the end of the year	393,642	812,579



## Notes to the Financial Statements

As at 31st March		2018 Rs.	2017 Rs.
<b>16.</b>	<b>ADVANCE AND OTHER LOANS</b>		
	Net Investment in Loans (Note 16.1)	680,114,640	336,063,292
	Net Investment in Loans against Fixed Deposits (Note 16.2)	14,190,017	8,843,236
	Net Investment in Pawning Advances (Note 16.3)	156,432,576	98,584,652
		850,737,233	443,491,180
<b>16.1</b>	<b>Net Investment in Loans</b>		
	Loan Rental Receivable	829,439,688	330,592,270
	Rentals in arrears	131,139,928	79,655,573
	Less: Unearned Income	(206,811,631)	(46,936,634)
	Rentals Received in Advance	(1,775,545)	(250,750)
	Provision for Impairment	(71,877,800)	(26,997,167)
		680,114,640	336,063,292
<b>16.2</b>	<b>Net Investment in Loans against Fixed Deposits</b>		
	Fixed Deposit Loan Rental Receivable	13,791,180	8,612,167
	Rentals in Arrears	398,837	231,069
		14,190,017	8,843,236
<b>16.3</b>	<b>Net Investment in Pawning Advances</b>		
	Pawning Advance	150,007,098	93,632,758
	Interest Receivable on Pawning Loans	6,425,478	5,861,095
	Less: Provision for Impairment	-	(909,201)
		156,432,576	98,584,652
<b>17.</b>	<b>TRADE AND OTHER RECEIVABLES</b>		
	Interest Receivable on Reverse Repurchase Agreements	382,773	185,679
	Receivable from Entrust Securities PLC	119,259	119,259
	Other Receivables (Note 17.1)	18,248,401	9,815,181
	Deposits and Prepayments (Note 17.2)	31,772,668	21,819,380
		50,523,101	31,939,499
<b>17.1</b>	<b>Other Receivable</b>		
	Withholding Tax Receivables	3,570,646	2,704,886
	Value Added Tax Receivable	3,494,005	4,527,784
	VAT on Financial Services	2,521,735	-
	ESC Receivable	1,446,075	486,856
	SRL Receivable	-	102,270
	Crop Insurance Levy Receivable	125,464	31,366
	Others	10,618,672	4,581,014
	Less: Provision for other receivables	(3,528,196)	(2,618,995)
		18,248,401	9,815,181

As at 31st March	2018 Rs.	2017 Rs.
<b>17.2 DEPOSITS AND PREPAYMENTS</b>		
Deposits	499,963	199,074
Rent Deposits	4,085,000	18,840,023
Prepayments	27,187,705	2,780,283
	31,772,668	21,819,380
<b>18. INVENTORIES</b>		
Reposessed Stock	1,531,582	-
Less: Provision for decrease in value	(863,582)	-
	668,000	-
<b>19. AVAILABLE FOR SALE FINANCIAL ASSETS</b>		
Quoted Share Investment (Note 19.1)	550,554	4,124,122
Non Quoted Shares Investment (Note 19.2)	2,500	2,500
Investment in Long Term Government Securities (Note 19.3)	7,518,695	6,606,440
	8,071,749	10,733,062

As at 31st March	2018			2017		
	No. of Shares	Cost Rs.	Market Value Rs	No. of Shares	Cost Rs.	Market Value Rs.
<b>19.1 Quoted Share Investment</b>						
Three Acre Farms PLC	Nil	-	-	6,500	1,220,550	833,950
Central Finance PLC	Nil	-	-	5,338	758,400	460,136
Galadari Hotels (Lanka) PLC	64,771	2,228,331	550,554	70,000	2,408,226	644,000
HVA Foods PLC	Nil	-	-	100,000	7,303,489	410,000
Laugfs Gas PLC	Nil	-	-	21,600	873,545	606,960
Panasian Power PLC	Nil	-	-	389,692	2,585,627	1,169,076
Entrust Securities PLC (Note 19.1.1)	100,000	5,157,120	-	100,000	5,157,120	-
	164,771	7,385,451	550,554	693,130	20,306,957	4,124,122
Less : Provision for diminution in value		(6,834,897)			(16,182,835)	
		550,554			4,124,122	

**19.1.1 Mark to Market Valuation**

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

## Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.				
<b>19.2 Non Quoted Shares Investment</b>						
Credit Information Bureau of Sri Lanka	2,500	2,500				
<b>19.3 Investment in Long Term Government Securities</b>						
Face value	6,340,000	6,340,000				
Amortized cost	7,445,193	6,813,878				
Market value	7,518,695	6,606,440				
<b>20. INTANGIBLE ASSETS</b>						
<b>Cost</b>						
Balance at the beginning of the year	16,825,385	16,705,385				
Additions during the period	1,331,000	120,000				
Balance at the end of the year	18,156,385	16,825,385				
<b>Amortisation</b>						
Balance at the beginning of the year	16,155,801	15,610,565				
Charge for the year	582,735	545,236				
Balance at the end of the year	16,738,536	16,155,801				
Carrying Value at the end of the year	1,417,849	669,584				
<b>21. PROPERTY, PLANT AND EQUIPMENT</b>						
	Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Total 2018 Rs.	Total 2017 Rs.
<b>Cost</b>						
Balance at the beginning of the year	15,506,923	25,443,923	13,647,632	4,605,605	59,204,083	54,653,983
Additions during the year	3,704,078	2,196,291	2,143,067	-	8,043,436	6,983,952
Disposals during the year	(2,514,227)	(13,189,815)	(3,510,909)	(1,732,696)	(20,947,647)	(2,433,854)
Reclassification during the year	-	-	-	-	-	-
Balance at the end of the year	16,696,774	14,450,399	12,279,790	2,872,909	46,299,872	59,204,081
<b>Accumulated Depreciation</b>						
Balance at the beginning of the year	12,733,063	22,110,715	11,999,754	4,460,179	51,303,711	49,940,468
Charge for the year	1,376,789	1,258,653	731,910	34,580	3,401,932	3,726,056
Disposal/Transfers during the year	(2,514,070)	(13,077,169)	(3,508,187)	(1,732,696)	(20,832,122)	(2,362,814)
Reclassification during the year	-	-	-	-	-	-
Balance at the end of the year	11,595,782	10,292,199	9,223,477	2,762,063	33,873,521	51,303,710
Carrying Value as at 31st March 2018	5,100,992	4,158,200	3,056,313	110,846	12,426,351	
Carrying Value as at 31st March 2017	2,773,860	3,333,208	1,647,878	145,426		7,900,371

As at 31st March	2018 Rs.	2017 Rs.
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The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the reporting date is as follows ;

**Description**

Computers	8,876,003	10,957,790
Furniture & Fittings	8,788,719	20,053,835
Office Equipment	7,892,744	10,834,719
Motor Vehicles	2,700,009	4,432,705

**22. DEPOSITS DUE TO CUSTOMERS**

Fixed Deposits	645,556,953	363,142,019
Saving Deposits	4,439,647	5,270,097
	649,996,600	368,412,116

**23. OTHER BORROWINGS**

Bank Loans	-	17,455,656
	-	17,455,656

**24. TRADE AND OTHER PAYABLE**

Payable to Suppliers	44,632,134	2,352,001
Statutory Payables (Note 24.1)	1,762,696	1,316,206
Accrued Expenses	4,746,918	9,154,691
Other Payables	4,447,424	3,251,176
Payable to Entrust Holdings (Note 24.2)	42,179,582	27,720,338
	97,768,754	43,794,412

**24.1 Statutory Payables**

VAT on Financial Services	-	(774,403)
Withholding Tax	61,177	658,717
PAYE	-	2,000
Stamp Duty	1,701,519	1,429,892
	1,762,696	1,316,206

- 24.2** Amount payable to Entrust Holdings Limited (EHL) includes cash collected and not yet remitted to EHL in relation to the portfolio disposed during the year 2016 amounting to Rs.42,179,582 (2017-Rs. 27,720,337/-). 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 EHL, based on the legal confirmation obtained on 23 June 2017 confirming that there is no bar to setting off the above as explained.

## Notes to the Financial Statements

### 25 RETIREMENT BENEFIT OBLIGATION

As at 31st March	2018 Rs	2017 Rs.
Balance at the beginning of the year	4,275,264	4,110,759
Amount recognized in Profit or Loss (Note 25.1)	1,536,583	1,223,422
Amount recognized in Other Comprehensive Income (Note 25.2)	(97,172)	(498,417)
	5,714,675	4,835,764
Payments during the year	(577,500)	(560,500)
Balance at the end of the year	5,137,175	4,275,264

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

Current Service Cost	1,034,240	791,793
Interest on obligation	502,343	431,629
	1,536,583	1,223,422

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

Experience adjustment	(640,617)	(16,462)
Demographic and Financial assumptions	543,445	(481,955)
Remeasurement of retirement benefit obligation	(97,172)	(498,417)

- 25.3** An Independent Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2018 by Mr. P. S. Goonetilleke of Piyal S Goonetilleke and Associates, a firm of professional actuaries. The Valuation method used by the actuaries to value the Retirement benefit obligation is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard No. 19, 'Employee Benefits'.

The key assumptions used by the actuary include the following,

As at 31st March	2018 Rs	2017 Rs.
i) Rate of Interest (per annum) :	10.38%	11.75%
ii) Rate of Salary Increase (per annum) :	10.00%	10.00%
iii) Retirement Age	55 years	55 years
iv) The company will continue as a going concern.		

The liability is not externally funded.

#### 25.4 Sensitivity Analysis

The following table demonstrates the sensitivity of the material subsidiaries 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 and 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 2018**

	Effect on employee benefit obligation	
	Increase	Decrease
Discount Rate (change by 1%)	(406,548)	468,145
Salary Increment Rate (change by 1%)	456,857	(405,046)

**As at 31st March 2017**

	Effect on employee benefit obligation	
	Increase	Decrease
Discount Rate (change by 1%)	(330,205)	378,654
Salary Increment Rate (change by 1%)	376,877	(334,695)

**As at 31st March**

	2018 Rs	2017 Rs.
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**26****DEFERRED TAXATION****Deferred Tax Asset**

At the beginning of the year	13,391,037	7,672,234
Origination/(reversal) of temporary differences recognized in profit or loss	18,384,957	5,858,360
Recognized in other comprehensive income	(27,208)	(139,557)
<b>At the end of the year</b>	<b>31,748,786</b>	<b>13,391,037</b>

Deferred Tax asset/liability has been recognized in respect of the following temporary differences arising from difference between accounting and tax base. Deferred Tax has been computed at the rate of 28%.

Deferred Tax provision as at the year end is made up as follows;

	2018		2017	
	Temporary Difference Rs.	Tax Impact Rs	Temporary Difference Rs.	Tax Impact Rs
<b>Deferred Tax (asset)/liability from:</b>				
Property, Plant and Equipment	3,684,432	1,031,641	1,056,429	295,800
Lease Rental Receivable	51,793,806	14,502,266	16,382,493	4,587,098
Retirement Benefit Obligation	(5,137,175)	(1,438,409)	4,773,681	1,336,631
Carried forward Disallowed Impairment	(53,328,716)	(14,932,040)	-	-
Carried forward Tax losses	(110,400,868)	(30,912,243)	(70,037,736)	(19,610,566)
	(113,388,521)	(31,748,786)	(47,825,133)	(13,391,037)
On remeasurement of retirement benefit obligation	(97,172)	(27,208)	(498,417)	(139,557)

## Notes to the Financial Statements

As at 31st March	2018 Rs	2017 Rs.
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### 27. STATED CAPITAL

Issued and Fully Paid:

Ordinary Shares	898,375,289	346,990,186
Shares Issued during the year	-	551,385,103
<b>Balance at the end of the year</b>	<b>898,375,289</b>	<b>898,375,289</b>
(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.

As at 31st March	2018 Rs	2017 Rs.
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### 28. RESERVES

#### 28.1 Statutory Reserve

Balance at the beginning of the year	5,389,222	5,389,222
Transfer during the year	-	-
<b>Balance at the end of the year</b>	<b>5,389,222</b>	<b>5,389,222</b>

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

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

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

As at 31st March	2018 Rs	2017 Rs.
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#### 28.2. General Reserve

Balance at the end of the year	11,266,050	11,266,050
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This is a reserve set aside from profits for the use of general purposes

#### 28.3 Available For Sale Reserve

Balance at the beginning of the year	2,014,937	1,965,911
Impact of change in fair value	(1,733,998)	49,026
<b>Balance at the end of the year</b>	<b>280,939</b>	<b>2,014,937</b>



## 29. FINANCIAL INSTRUMENTS

### 29.1 Financial Instruments - Statement of Financial Position

Financial Assets	Assets at fair value		Assets at amortized cost		Total
	Fair Value Through Profit & loss	Available for sale	Loans & receivables	Held to maturity	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>31st March 2018</b>					
Investment in Repurchase Agreement	-	-	65,500,000	-	65,500,000
Placements with Banks and other financial institutions	-	-	-	233,069,642	233,069,642
Fair value through profit or loss financial assets	-	-	-	-	-
Rental receivables on Lease	-	-	333,913,312	-	333,913,312
Rental receivables on Hire purchase	-	-	12,643,028	-	12,643,028
Advance and other loans	-	-	850,737,233	-	850,737,233
Trade and Other Receivables	-	-	50,523,101	-	50,523,101
Receivable from Inland Revenue	-	-	4,452,003	-	4,452,003
Financial Assets available for sale	-	8,071,749	-	-	8,071,749
Cash at Bank & in Hand	-	-	28,663,856	-	28,663,856
<b>Total Financial Assets</b>	-	8,071,749	1,346,432,534	233,069,642	1,587,573,925
Other Non Financial Assets	-	-	-	-	46,260,985
<b>Total Assets</b>	-	8,071,749	1,346,432,534	233,069,642	1,633,834,910
<b>31st March 2017</b>					
Investment in Repurchase Agreement	-	-	74,899,999	-	74,899,999
Fair value through profit or loss financial assets	766,878	-	-	-	766,878
Rental receivables on Lease	-	-	108,185,847	-	108,185,847
Rental receivables on Hire purchase	-	-	43,260,175	-	43,260,175
Advance and Other loans	-	-	443,491,180	-	443,491,180
Trade and Other Receivables	-	-	31,939,499	-	31,939,499
Receivable from Inland Revenue	-	-	2,157,186	-	2,157,186
Financial Assets available for sale	-	10,733,062	-	-	10,733,062
Cash at Bank & in Hand	-	-	564,138,485	-	564,138,485
<b>Total Financial Assets</b>	766,878	10,733,062	1,268,072,371	-	1,279,572,311
Other Non Financial Assets	-	-	-	-	21,960,991
<b>Total Assets</b>	766,878	10,733,062	1,268,072,371	-	1,301,533,302

## Notes to the Financial Statements

### 29. FINANCIAL INSTRUMENTS

#### 29.1 Financial Instruments - Statement of Financial Position

Financial Liabilities	Fair value through profit or loss Rs.	Other financial liabilities Rs.	Total Rs.
<b>As at 31st March 2018</b>			
Deposits due to customers	-	649,996,600	649,996,600
Trade and Other Payable	-	97,768,754	97,768,754
Other borrowings	-	-	-
Due to banks and financial institutions	-	75,126,583	75,126,583
Income tax payable	-	-	-
<b>Total Financial Liabilities</b>	-	<b>822,891,937</b>	<b>822,891,937</b>
Other Non Financial Liabilities	-	-	5,137,175
<b>Total Liabilities</b>	-	<b>822,891,937</b>	<b>828,029,112</b>
<b>As at 31st March 2017</b>			
Deposits due to customers	-	368,412,116	368,412,116
Trade and Other Payable	-	43,794,412	43,794,412
Other borrowings	-	17,455,656	17,455,656
Due to banks and financial institutions	-	43,175,437	43,175,437
<b>Total financial Liabilities</b>	-	<b>472,837,621</b>	<b>472,837,621</b>
Other Non Financial Liabilities	-	-	4,275,264
<b>Total Liabilities</b>	-	<b>472,837,621</b>	<b>477,112,885</b>

#### 29.2 Valuation of financial instruments

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

##### Financial Assets - Fair value through profit & loss

Multi Finance PLC has classified the investment in Dealing securities under fair value through profit and loss financial assets.

These investments held by Multi Finance PLC are acquired for the trading purpose. Accordingly this investment was classified under the category of Financial assets fair value through profit & loss.

##### Financial Assets - available for sale

Multi Finance PLC has classified the investment in Investment securities and certain shares under available for sale financial assets.

These investments are held by Multi Finance PLC as a strategic investment and this was not acquired for the trading purpose. Accordingly this investment was classified under the category of Available for Sale Investment.

Further the Directors assessed the valuation of the investment securities and concluded that the value of investment has not significantly increased or impaired. Share investments have been impaired, in line with LKAS 39

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.

Available for sale financial assets of Multi Finance PLC has been valued using the Level 1 techniques of the valuation hierarchy and fair value as at 31st March 2018 is Rs. 8,069,249 ( 2017 : Rs. 10,730,562). Total gain recognized in the equity on this investment for the year ended 31st March 2018 is Rs. 73,501. Reclassification of available for sale reserve to profit / loss on disposal of Available for sale financial assets for the year ended 31st March 2018 is Rs. 1,807,499

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>As at 31st March 2018</b>				
Fair value through profit or loss financial assets	-	-	-	-
Available for sale financial assets	8,069,249	-	2,500	8,071,749
	8,069,249	-	2,500	8,071,749
<b>As at 31st March 2017</b>				
Fair value through profit or loss financial assets	766,878	-	-	766,878
Financial assets available for sale	10,730,562	-	2,500	10,733,062
	11,497,440	-	2,500	11,499,940

## Notes to the Financial Statements

### 30 FINANCIAL RISK MANAGEMENT

#### 30.1 Introduction and Overview

The Company has exposure to following risks from financial instruments:

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### Risk Management Framework

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

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

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

#### 30.2 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).

#### Maximum Exposure to Credit Risk

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

	Notes	31-Mar-18 Rs.	31-Mar-17 Rs.
Cash and cash equivalents	12	94,163,856	639,038,484
Fair value through profit or loss financial assets	13	-	766,878
Rental receivable on lease	14	333,913,312	108,185,847
Rental receivable on hire purchase	15	12,643,028	43,260,175
Advance and other loans	16	850,737,233	443,491,180
Trade and other receivables	17	50,523,101	31,939,499
Available for sale financial assets	19	8,071,749	10,733,062

## Age analysis of loans and receivables

	Rental receivable on Lease Rs.	Rental receivable on Hire Purchase Rs.	Advances and other loans Rs.
<b>As at 31st March 2018</b>			
Less than 90 days	325,624,128	6,698,257	736,241,657
91 to 179 days	6,458,848	5,979,482	69,068,456
180 to 365 days	2,642,446	-	44,061,789
More than 365 days	-	358,930	73,243,131
Impairment	(812,110)	(393,642)	(71,877,800)
<b>Total</b>	<b>333,913,312</b>	<b>12,643,028</b>	<b>850,737,233</b>

## As at 31st March 2017

Less than 90 days	103,515,773	32,538,834	382,652,224
91 to 179 days	4,031,778	11,126,080	22,228,023
180 to 365 days	817,628	48,909	19,842,159
More than 365 days	-	358,930	46,675,143
Impairment	(179,333)	(812,579)	(27,906,369)
<b>Total</b>	<b>108,185,846</b>	<b>43,260,175</b>	<b>443,491,180</b>

## Credit Quality Analysis

The below tables summarises the credit quality of loans and receivables

Loan Category	Balance as at 31-Mar-18 Rs.	Performing Rs.	Non Performing Rs.
Rental receivable on Lease	334,725,422	332,082,976	2,642,446
Rental receivable on Hire Purchase	13,036,669	12,677,739	358,930
Advance and other Loans	922,615,033	805,310,113	117,304,920
<b>Total Gross loans and receivables</b>	<b>1,270,377,124</b>		
<b>Impairment</b>			
- Individually significant impairment	(48,498,650)		
- Collective Impairment	(24,584,902)		
<b>Total net loans and receivables</b>	<b>1,197,293,573</b>		

## Notes to the Financial Statements

Loan Category	Balance as at 31-Mar-17 Rs.	Performing Rs.	Non Performing Rs.
Rental receivable on lease	108,365,179	107,547,552	817,627
Rental receivable on hire purchase	44,072,754	43,664,914	407,839
Advance and other loans	471,397,548	404,880,248	66,517,300
<b>Total Gross loans and receivables</b>	<b>623,835,481</b>		

### Impairment

- Individually significant impairment	(18,459,893)
- Collective Impairment	(10,438,388)
<b>Total net loans and receivables</b>	<b>594,937,200</b>

### Credit Concentration Risk

Company Monitors credit concentration risk under product portfolios

	31-Mar-18 Rs.	%	31-Mar-17 Rs.	%
Leasing	333,913,312	27.89	108,185,846	18.18
Hire Purchase	12,643,028	1.06	43,260,174	7.27
Business loans	263,224,907	21.98	265,738,443	44.67
Mortgage Loans	260,801,464	21.78	23,652,855	3.98
Vehicle Loans	41,877,675	3.50	40,011,795	6.73
Gold Loans	-	0.00	1,005,742	0.17
Micro Finance	-	0.00	5,654,455	0.95
FD against Loans	14,190,017	1.19	8,843,236	1.49
Pawning	156,432,576	13.07	98,584,652	16.57
Staff Loans	5,503,859	0.46	-	0.00
Multi Draft	102,959,224	8.60	-	0.00
Educational Loans	5,747,511	0.48	-	0.00
	<b>1,197,293,573</b>	<b>100.00</b>	<b>594,937,200</b>	<b>100.00</b>

Province wise concentration risk is as follows

	Lease rental receivables		Hire Purchase receivables		Advances and other loans	
	31-Mar-18 Rs.	31-Mar-17 Rs.	31-Mar-18 Rs.	31-Mar-17 Rs.	31-Mar-18 Rs.	31-Mar-17 Rs.
Western	158,839,453	36,735,361	7,289,604	11,810,576	544,740,800	251,800,798
Southern	21,003,954	15,291,233	369,421	1,722,396	65,965,499	31,106,715
Sabaragamuwa	37,166,615	6,231,206	415,776	1,847,356	62,697,818	31,272,897
Central	36,080,974	21,446,824	295,477	9,023,629	109,510,685	94,086,312
North Western	40,623,726	14,288,408	2,970,283	13,889,281	100,331,434	34,380,214
North Central	41,010,700	14,372,148	1,696,109	5,779,517	39,368,798	28,750,613
Impairment	(812,110)	(179,333)	(393,642)	(812,579)	(71,877,800)	(27,906,369)
	<b>333,913,312</b>	<b>108,185,846</b>	<b>12,643,028</b>	<b>43,260,174</b>	<b>850,737,233</b>	<b>443,491,180</b>

### Collaterals held

The Company Holds collaterals against some of its credit exposure. The following table depicts the collaterals held by the company

	31-Mar-18 Rs.	31-Mar-17 Rs.
Secured by moveable assets	808,091,498	549,500,531
Secured by non-moveable assets	260,801,464	29,240,232
Secured by Cash	14,190,017	8,843,236
Others	114,210,594	7,353,201
<b>Total</b>	<b>1,197,293,573</b>	<b>594,937,200</b>

### Other Investments

Other Investments mainly includes investment in government securities and share investments. The Company limits its exposure to credit risk by investing in government debt securities, repos and in short term deposits. The Company has a relatively small share portfolio which is monitored periodically by the risk management committee.

## 30.3 Liquidity Risk

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



## Notes to the Financial Statements

### Exposure to Liquidity Risk

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

As at 31st March	2018 Rs.	2017 Rs.
<b>Liquid Asset Ratio (LAR)</b>		
Average for the year	86.83%	45.21%
Maximum for the year	172.49%	173.46%
Minimum for the year	15.14%	15.02%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio calculation as at 31st March is given below.

As at 31st March	2018 Rs.	2017 Rs.
Cash in Hand	7,549,740	5,714,474
Balances in Current Accounts free from lien	4,808,903	558,294,806
Deposits in Commercial Banks free from lien	20,600,993	129,205
Any Other Approved Securities	65,500,000	74,899,999
Total liquid assets as at end of March	98,459,636	639,038,484

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2018, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
<b>Interest Bearing Assets</b>						
Cash and cash equivalents	1,121,964	-	-	-	-	1,121,964
Placements with Banks and Other Finance Companies	212,734,300	20,335,342	-	-	-	233,069,642
Investment in Repurchase Agreements	65,500,000	-	-	-	-	65,500,000
Financial Investments - Available for Sale	1,356,843	-	6,161,852	-	-	7,518,695
Loans and Receivables from Other Customers*	288,358,318	246,188,268	193,126,266	107,074,074	15,990,308	850,737,233
Finance Lease Receivables*	44,303,695	58,334,485	145,588,098	82,993,418	2,693,615	333,913,312
Hire Purchase Receivables*	3,490,968	4,774,351	4,377,709	-	-	12,643,028
<b>Total Interest Bearing Assets</b>	616,866,088	329,632,446	349,253,925	190,067,492	18,683,923	1,504,503,875
Percentage 2018	41%	22%	23%	13%	1%	
Percentage 2017	72%	16%	11%	2%	0%	
<b>Interest Bearing Liabilities</b>						
Due to banks and financial institutions	75,126,583	-	-	-	-	75,126,583
Deposits Due to Customers	280,067,387	297,941,608	29,854,155	42,133,450	-	649,996,600
<b>Total Interest Bearing Liabilities</b>	355,193,970	297,941,608	29,854,155	42,133,450	-	725,123,183
<b>Percentage 2018</b>	49%	41%	4%	6%	0%	-
Percentage 2017	57%	32%	8%	3%	0%	-

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

### 30.4 Market Risk

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

#### Interest Rate Risk

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

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

As at 31st March	2018 Rs.	2017 Rs.
Rate Sensitive Assets (RSA)	1,438,434,965	606,437,141
Rate Sensitive Liabilities (RSL)	649,996,600	385,867,772
GAP (RSA-RSL)	788,438,365	220,569,369

#### Equity Risk

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

#### Equity based investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2018 Rs.	Lowest Market Value for last 3 years Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Finance	-	-	-
Diversified Holdings	550,554	550,554	-
<b>Total</b>	<b>550,554</b>	<b>550,554</b>	<b>-</b>

	Market Value as at 31st March 2017 Rs.	Lowest Market Value for last 3 years Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Finance	460,136	460,136	-
Diversified Holdings	4,430,864	4,430,864	-
<b>Total</b>	<b>4,891,000</b>	<b>4,891,000</b>	<b>-</b>

## *Notes to the Financial Statements*

### **30 FINANCIAL RISK MANAGEMENT cont..**

#### **30.5 Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. 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.

#### **Capital Management**

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

Every finance company shall, subject to the provisions of the Finance Companies (Minimum Core Capital) Direction No. 1 of 2006, at all times, maintain its capital (adjusted for the items that may be specified by the Director) at a level not less than 10 percent of its risk weighted assets with the core capital constituting not less than 5 percent of its risk weighted assets, computed as per instructions issued by the CBSL.

## Total Capital Base Computation

As at 31st March

	2018 Rs	2017 Rs.
<b>Tier I : Core Capital</b>		
Stated Capital	898,375,289	898,375,289
Statutory Reserve Fund	5,389,222	5,389,222
General Reserve	11,266,050	11,266,050
Retained Earnings	(109,505,702)	(92,625,081)
<b>Total Tier I Capital</b>	<b>805,524,860</b>	822,405,480
<b>Tier II : Supplementary Capital</b>		
Eligible Approved Unsecured Subordinated Term Debt	-	-
<b>Total Eligible Tier II Capital</b>	<b>-</b>	-
<b>Total Capital</b>	<b>805,524,860</b>	822,405,480
<b>Deductions</b>		
Investments in capital of other banks	-	-
<b>Capital Base</b>	<b>805,524,860</b>	822,405,480
<b>Total Risk Weighted Assets</b>	<b>1,213,779,566</b>	552,395,424
<b>Computation of Capital Adequacy Ratios</b>		
<b>Core Capital Ratio (Minimum Requirement 5%)</b>	<b>66.37%</b>	148.88%
$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$		
<b>Total Risk Weighted Capital Ratio (Minimum Requirement 10%)</b>	<b>66.37%</b>	148.88%
$\frac{\text{Capital Base}}{\text{Risk Weighted Assets}} \times 100$		

## Notes to the Financial Statements

### 31. RELATED PARTY TRANSACTIONS

#### 31.1 Transaction with related Companies

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

Name of the Company	Nature of relationship	Nature of transactions	Amount (Paid)/ Received 2018 Rs.	Amount (Paid)/ Received 2017 Rs.
Fairway Holdings (Pvt)Ltd	Significant shareholder	Building rent charges	(1,115,824)	-
		Reimbursement of expenses	(210,086)	-
Fairway Elements (Pvt) Ltd	Subsidiary of significant shareholder	Reimbursement of expenses	(311,063)	-
Fairway Telecommunication Towers (Pvt) Ltd	Subsidiary of significant shareholder	Reimbursement of expenses	(941,705)	-
Lakderana Investments Limited.	Subsidiary of significant shareholder	Building rent charges	(1,287,207)	-
Gowers Solutions (Pvt) Ltd	Common Director	Net outstanding	1,945,668	3,050,989

#### 31.2 Transactions with Key Management Personnel

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

##### 31.2.1 Key Management Personnel Compensation

As at 31st March	2018 Rs.	2017 Rs.
Short-term employee benefits	11,854,467	6,178,000
<b>Total</b>	<b>11,854,467</b>	<b>6,178,000</b>

##### 31.2.2 Key Management Personnel Transactions

	2018 Rs.	2017 Rs.
Deposit held with the company	15,209,260	16,895,262
	<b>15,209,260</b>	<b>16,895,262</b>

**32. COMMITMENTS****(a) Capital Commitments**

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

**(b) Financial Commitments**

Future payments of rentals	31-Mar-18 Rs.	31-Mar-17 Rs.
- within 1 year	4,050,000	6,561,897
- between 1 to 5 years	-	10,069,600
- more than 5 years	-	-
Commitment for Unutilised Facilities	5,010,927	

**(c) Assets Pledged**

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged	Included Under
Fixed Deposits	Pledged over a banking facility *	150,000,000	Placements with Banks and other financial institutions
Fixed Deposits	Overdrafts	40,000,000	Placements with Banks and other financial institutions

\* Rs. 150 Mn. worth of Fixed Deposits were pledged to bank in lieu for a banking facility taken by Fairway Holdings (Pvt) Limited, the parent entity of Multi Finance PLC.

**33. CONTINGENCIES**

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

**34. 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.

## Notes to the Financial Statements

### 35. MATURITY ANALYSIS

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

As at 31st March 2018	Maturity Period					Total
	Up to 3 Months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	
Assets/Liabilities	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash & Cash Equivalents	94,163,856	-	-	-	-	94,163,856
Placements with Banks and other financial institutions	212,734,300	20,335,342	-	-	-	233,069,642
Fair value through profit or loss financial assets	-	-	-	-	-	-
Rental Receivable on Lease	44,303,695	58,334,485	145,588,098	82,993,418	2,693,615	333,913,312
Rental Receivable on Hire Purchase	3,490,968	4,774,351	4,377,709	-	-	12,643,028
Advances & Other Loans	288,358,318	246,188,268	193,126,266	107,074,074	15,990,308	850,737,233
Trade & Other Receivable	32,971,662	6,402,906	4,431,304	452,264	6,264,963	50,523,100
Income tax receivables	-	-	4,452,003	-	-	4,452,003
Inventories	668,000	-	-	-	-	668,000
Financial assets available for sale	8,071,749	-	-	-	-	8,071,749
Intangible Assets	-	-	-	-	1,417,849	1,417,849
Property, Plant & Equipment	-	-	-	-	12,426,351	12,426,351
Deferred Tax Asset	-	-	-	-	31,748,786	31,748,786
<b>Total Assets</b>	<b>684,762,549</b>	<b>336,035,352</b>	<b>351,975,380</b>	<b>190,519,755</b>	<b>70,541,871</b>	<b>1,633,834,910</b>
Due to banks and financial institutions	75,126,583	-	-	-	-	75,126,583
Deposits	280,067,387	297,941,608	29,854,155	42,133,450	-	649,996,600
Other Borrowings	-	-	-	-	-	-
Trade & Other Payables	97,768,754	-	-	-	-	97,768,754
Retirement Benefit Obligation	-	-	-	-	5,137,175	5,137,175
Deferred tax liability	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>452,962,723</b>	<b>297,941,608</b>	<b>29,854,155</b>	<b>42,133,450</b>	<b>5,137,175</b>	<b>828,029,112</b>

	Maturity Period					Total
	Up to 3 Months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	
Assets/Liabilities	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Rental Receivable on Lease</b>						
Rentals Receivable	58,450,329	97,920,483	208,360,599	97,546,604	2,960,760	465,238,775
Unearned Income	(13,334,523)	(39,585,998)	(62,772,502)	(14,553,186)	(267,146)	(130,513,354)
	<b>45,115,805</b>	<b>58,334,485</b>	<b>145,588,098</b>	<b>82,993,418</b>	<b>2,693,614</b>	<b>334,725,421</b>
<b>Rental Receivable on Hire Purchase</b>						
Rentals Receivable	4,244,764	5,602,458	4,798,013	-	-	14,645,235
Unearned Income	(360,154)	(828,107)	(420,304)	-	-	(1,608,565)
	<b>3,884,610</b>	<b>4,774,351</b>	<b>4,377,709</b>	<b>-</b>	<b>-</b>	<b>13,036,670</b>



**36. SEGMENTAL ANALYSIS**

	Lease & Hire Purchase		Loans		Pawning		Other		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
<b>Income</b>										
Interest Income	36,567,820	35,550,981	86,267,474	63,925,428	28,561,898	23,788,813	52,775,891	7,826,821	204,173,082	131,092,044
Other Income	9,085,002	6,705,510	11,744,214	13,551,810	1,164,327	965,059	9,250,028	5,850,171	31,243,570	27,072,551
Total Income	45,652,822	42,256,491	98,011,688	77,477,238	29,726,225	24,753,872	62,025,919	13,676,992	235,416,652	158,164,595
Unallocated Expenses									(269,354,894)	(204,211,491)
Profit / (Loss) Before Tax									(33,938,242)	(46,046,897)
Income Tax									16,987,657	5,858,360
Net Profit / (Loss) for the period									(16,950,585)	(40,188,537)
<b>Segment Assets</b>	346,556,340	151,446,021	694,304,657	344,906,528	156,432,576	98,584,652	296,784,494	45,596,625	1,494,078,068	640,533,826
Unallocated Assets									139,756,842	660,999,476
<b>Total Assets</b>	346,556,340	151,446,021	694,304,657	344,906,528	156,432,576	98,584,652	296,784,494	45,596,625	1,633,834,910	1,301,533,302
Unallocated Liabilities									1,633,834,910	1,301,533,302
<b>Total Liabilities</b>									1,633,834,910	1,301,533,302

**37. FINANCE COMPANIES MINIMUM CORE CAPITAL DIRECTION NO. 02 OF 2017 ISSUED BY CENTRAL BANK OF SRI LANKA**

In accordance with Finance Company's Minimum Core Capital Direction No.02 of 2017, the capital infusion of Rs. 550.8 Mn was made during the financial year 2016/2017 by Fairway Holdings (Pvt) Ltd and the extension was obtained from CBSL till 30 June 2018 to infuse the balance capital of Rs. 190 Mn to reach to the core capital requirement of Rs. 1 Bn as per the above direction. The process has been already commenced as at the date of signing the audited financial statement for the FY 2017/2018.

**38. COMPARATIVE INFORMATION**

Reclassification of comparative Information	Note	As Previously Reported 2017 (Rs.)	Reclassification	Current Presentation	
				2017 (Rs.)	2018 (Rs.)
<b>Statement of Financial Position</b>					
Amount due from related companies	(a)	119,259	(119,259)	-	-
<b>Trade and other receivables (Note No.17)</b>					
Receivable from Entrust Securities PLC	(a)		119,259	119,259	119,259
Amount due to related companies	(a)	27,720,338	(27,720,338)	-	-
<b>Trade and other payables (Note No.24)</b>					
Payable to Entrust Holdings	(a)		27,720,338	27,720,338	42,179,582

(a) Company decided to change its presentation due to the resignation of all entrust group directors before 1st April 2016.

# Investor Information

## TOP 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2018

Serial	Name	Ordinary Shares	%
1	HATTON NATIONAL BANK PLC/FAIRWAY HOLDINGS (PVT) LTD	41,110,075	64.63
2	ENTRUST HOLDINGS LIMITED	19,037,186	29.93
3	MISS. R. W. K. C. M. M. A. SAMADHIE FERDINANDO	202,484	0.32
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	SEYLAN BANK PLC/MS.PRIME LANDS (PVT) LTD	125,421	0.20
8	ASSETLINE LEASING CO. LTD/R.K.R. PATHIRANAGE	85,900	0.14
9	MR. PUWAKGAHA ALLE GEDARA WEERAKOON BANDA	80,819	0.13
10	MR. WIJITHA NANDA ABEYSURIYA	77,061	0.12
11	SERENDIB ENGINEERING & AGENCIES (PVT) LTD	75,500	0.12
12	FAIRWAY HOLDINGS PVT LTD	74,065	0.12
13	MRS. SAROJANI GUNASINGHE	58,000	0.09
14	MR. SENTHILVEL SENTHINANDHANAN	55,571	0.09
15	MR. CHANDRASIRI THILAK MALIDUWA PATHIRANA	50,000	0.08
16	MISS. DIVMINI SACHINTHANA SENARATHNE	50,000	0.08
17	SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD	49,419	0.08
18	MERCHANT BANK OF SRI LANKA PLC/W.A.S.PABESIRIWARDANA	45,535	0.07
19	MR. LETCHUMANAN PATHMANATHAN	44,550	0.07
20	MR. PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.07
	Directors' Shareholding	34,966	0.05
	Other Shareholding	1,803,981	2.84
	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 17th January 2018.

As at 31.03.2018

Option	Float adjusted market capitalization (Rs.Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	0.31Bn	10%	35.20%	200	847

## DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2018

Shareholdings	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	573	133,009	0.21	6	2,700	0.00	579	135,709	0.21
1,001 To 10,000 Shares	203	747,610	1.18	2	7,592	0.01	205	755,202	1.19
10,001 To 100,000 Shares	60	1,738,256	2.73	-	-	0.00	60	1,738,256	2.73
100,001 To 1,000,000 Shares	5	833,753	1.31	-	-	0.00	5	833,753	1.31
Over 1,000,000 Shares	2	60,147,261	94.56	-	-	0.00	2	60,147,261	94.56
Total	843	63,599,889	99.98	8	10,292	0.02	851	63,610,181	100.00

Category	No of Shareholders	No of Shares	%
Institutional	54	61,359,444	96.46
Individual	797	2,250,737	3.54
Total	851	63,610,181	100.00

**TOP 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2017**

Serial	Name	Ordinary Shares	%
1	HATTON NATIONAL BANK PLC/FAIRWAY HOLDINGS (PVT) LTD	41,110,075	64.63
2	ENTRUST HOLDINGS LIMITED	19,037,186	29.93
3	MISS.R. W. K. SAMADHIE FERDINANDO	353,200	0.56
4	ENTRUST LIMITED	186,000	0.29
5	LAUGFS GAS LIMITED	184,900	0.29
6	SEYLAN BANK PLC/MS.PRIME LANDS (PVT) LTD	125,421	0.20
7	MR.MIGARA MUNASINGHE DISSANAYAKE	115,539	0.18
8	MR.SHERMAL HEMAKA JAYASURIYA	96,484	0.15
9	NATION LANKA CAPITAL LTD/RASIKA KALYANI RUWANPATHIRANAGE	85,900	0.14
10	MR.WIJITHA NANDA ABEYSURIYA	76,402	0.12
11	SERENDIB ENGINEERING & AGENCIES (PVT) LTD	75,500	0.12
12	MR.THILAKAMUNI ANTHONY DHARSHAN DE SILVA	68,001	0.11
13	MRS.SAROJANI GUNASINGHE	58,000	0.09
14	MISS.DIVMINI SACHINTHANA SENARATHNE	50,000	0.08
15	MR.PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.07
16	MERCHANT BANK OF SRI LANKA PLC/W.A.S.PABESIRIWARDANA	40,683	0.06
17	MR.PALLEWATTHA GAMARALALAGE WIJAYANANDA SIRISENA	38,000	0.06
18	LB FINANCE PLC/N.A. GAYAN UDAYA KUMARA WICKRAMARATHNE	36,000	0.06
19	MR.KOSALA MUNASINGHE DISSANAYAKE	32,600	0.05
20	MERCHANT BANK OF SRI LANKA PLC/S M PATHIRANAGE	32,515	0.05
	Directors' Shareholding	20,575	0.03
	Other Shareholding	1,743,400	2.74
	Total Shares	63,610,181	100.00
	Public Shareholding	35.34%	
	Number of public shareholders	884	

**DIRECTORS SHAREHOLDING**

	As at 31.03.2018 Ordinary Shares	As at 31.03.2017 Ordinary Shares
1 Mr. E. K. I. De Zoysa	Nil	Nil
2 Mr. P. Jayasundera (Director/CEO)	Nil	Nil
3 Mrs. C. J. Atapattu	20,575	20,575
4 Mr. Prasann Leverage	Nil	Nil
5 Mr. Imal Fonseka	Nil	Nil
6 Mr. Shelton Peiris	Nil	Nil
7 Mr. P. Abeysekara	Nil	Nil
8 Mr. W. Lakshman	14,391	13,135 (Appointed on 04th October 2017)
9 Dr. R. A. Fernando	Nil	Nil

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting 2018 of Multi Finance PLC will be held on Tuesday, 25th September 2018 at 3.00 p.m. at the Lecture Hall 03, Sri Lanka Foundation, No.100, Padanama Mawatha, Independence Square, Colombo 07 for the following purposes:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st March 2018 together with the Report of the Auditor's thereon.
2. Election of Mr. Imal Fonseka who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General meeting.
3. Election of Mr. P. Abeysekara who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General meeting.
4. Election of Mr. W.A. Lakshman who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General meeting.
5. Election of Mr. Shelton Peiris who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General meeting.
6. Election of Dr. Ravi Fernando who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General meeting.
7. To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors to the Company and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine and make donations.

By Order of the Board  
MULTI FINANCE PLC



Mrs. C. Salgado

Company Secretary

28th August 2018  
Colombo

## Notes:

1. Only persons who are shareholders of the Company and whose names appear on the Share Register as at the AGM date will be entitled to attend the above meeting.
2. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her place by completing the Form of Proxy enclosed herewith.
3. A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
4. Shareholders/Proxy holders are kindly advised to bring with them their National Identity Card when attending the meeting.

# Form of Proxy

I/We.....  
 of.....  
 being a member/members of Multi Finance PLC hereby appoint,

Mr. Kuvera De Zoysa	or failing him
Mrs. Champika Atapattu	or failing her
Mr. Pushpika Jayasundera	or failing him
Mr. Imal Fonseka	or failing him
Mr. Shelton Peiris	or failing him
Mr. Lakshman Wanniarachchi	or failing him
Mr. Palitha Abeysekera	or failing him
Dr. Ravi Fernando	or failing him

.....  
 as my/our proxy to represent me/us, vote for me/us, and speak on my/our behalf at Annual General Meeting of the Company to be held on Tuesday, 25th September 2018 at 3.00 p.m. at the Lecture Hall 03, Sri Lanka Foundation, No.100, Padanama Mawatha, Independence Square, Colombo 07 and at any adjournment thereof.

Signed this ..... day of ..... 2018.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2018 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Mr. Imal Fonseka	<input type="checkbox"/>	<input type="checkbox"/>
3. Election of Mr. P. Abeysekera	<input type="checkbox"/>	<input type="checkbox"/>
4. Election of Mr. W.A. Lakshman	<input type="checkbox"/>	<input type="checkbox"/>
5. Election of Mr. Shelton Peiris	<input type="checkbox"/>	<input type="checkbox"/>
6. Election of Dr. Ravi Fernando	<input type="checkbox"/>	<input type="checkbox"/>
7. Re-appointment the Auditors KPMG and to authorize the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. Authorize Directors to determine contribution to Charities.	<input type="checkbox"/>	<input type="checkbox"/>

.....  
 Signature

## Note:

Instructions as to completion of the Form of Proxy are on the reverse hereof.

## *Form of Proxy*

### **Notes and Instructions as to completion of Form of Proxy**

1. A shareholder entitled to attend and vote at the meeting but is unable to attend the meeting, can appoint not more than one proxy to attend and vote at the AGM instead of him/her; by completing the Form of Proxy.
2. Please complete the Form of Proxy by filling in legibly, your full name, address and contact number and thereafter date and sign in the space provided.
3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Registered Office, Multi Finance PLC, The Fairways, 100, Buthgamuwa Road, Rajagiriya and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 3.00 p.m. on 20th September 2018.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company or Corporation, the Form of Proxy should be executed either under its Common Seal or by a duly authorized officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
6. The Form of Proxy should only be used for the purpose of appointing a proxy to attend and vote on your behalf at the AGM in the event you are unable to attend the meeting, and should not be used to confirm participation at the AGM.
7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to attend the meeting him/herself, he/she should take immediate steps to revoke the appointment of proxy.

# 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, 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 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.

## ACCOUNTING YEAR-END

31st March 2018

## BOARD OF DIRECTORS

- Mr. E. K. I. De Zoysa - Chairman/Independent, Non-Executive Director
- Mr. P. Jayasundera - CEO/Executive Director
- Mrs. C. J. Atapattu - Director – Legal & Recoveries/Executive Director
- Mr. Prasann Leanage - Non-Independent, Non-Executive Director (Resigned w.e.f. 15.05.2018)
- Mr. Imal Fonseka - Non-Independent, Non-Executive Director
- Mr. P. Abeysekera - Non-Independent, Non-Executive Director
- Mr. W. Lakshman - Non-Independent, Non-Executive Director
- Dr. R. A. Fernando - Independent, Non-Executive Director
- Mr. N. D. Gunaratne - Non-Independent, Non-Executive Director (Resigned w.e.f. 24.11.2017)
- Mr. M. Shelton Peiris - Independent, Non-Executive Director

## EXTERNAL AUDITORS

M/S. KPMG, Chartered Accountants

## INTERNAL AUDITORS

M/S. PricewaterhouseCoopers, Chartered Accountants

## BANKERS

Commercial Bank of Ceylon PLC  
People's Bank  
Seylan Bank PLC  
Pan Asia Banking Corporation PLC  
Bank of Ceylon  
Hatton National Bank PLC

## COMPANY SECRETARY

M/s Business Intelligence (Private) Limited

## REGISTERED OFFICE

"The Fairways",  
No.100, Buthgamuwa Road, Rajagiriya  
Tel: +94-11-4645555  
Fax: +94-11-4645564

## BUSINESS OFFICE

"The Fairways",  
No.100, Buthgamuwa Road, Rajagiriya  
Tel: +94-11-4645555  
Fax: +94-11-4645564  
E-mail: [info@multifinance.lk](mailto:info@multifinance.lk)  
Website: [www.multifinance.lk](http://www.multifinance.lk)

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