

MULTI FINANCE PLC
ANNUAL REPORT 2018/19

TURN THE PAGE



TURN THE PAGE

At Multi Finance PLC, we are emboldened by our commitment to serve the people. Our pledge to make a difference underpins all elements of our operations, and drives us forward year after year to deliver unparalleled value to the diverse stakeholders we partner.

Over the years we have transformed, focusing our every effort to enable sustainable transactions through green financing. Today, we are poised to transform into a dynamic entity, with many exciting plans that will see your Company prosper and reach its full potential.

Founded on strength, stability and trust, we are uniquely positioned to transform and evolve your Company into the future.

It's the beginning of a new chapter at Multi Finance PLC.

Turn the page to find out more.



MULTI
FINANCE

Contents

pg13



Introductory Reports

- 6 What we Do
- 8 Financial & Operational Highlights
- 9 Branch Network
- 10 Honours & Achievements

Executives Reports

- 13 Chairman's Statement
- 16 Chief Executive Officer's Statement
- 21 The Board of Directors
- 25 Corporate Management Team
- 26 Management Team

pg29



Management Reports

- 29 Management Discussion and Analysis



View this Annual Report online at
<https://www.multifinance.lk>



Governance Reports

- 39 Corporate Governance
- 57 Report of the Integrated Risk Management Committee
- 58 Report of the Remuneration Committee
- 59 Related Party Transactions Review Committee (RPTRC)
- 60 Report of the Audit Committee
- 62 Annual Report of the Board of Directors on the Affairs of the Company
- 67 Statement of Directors' Responsibility
- 68 Directors Statement on Internal Control Over Financial Reporting



Financial Reports

- 69 Independent Auditor's Report
- 72 Statement of Profit or Loss and Other Comprehensive Income
- 73 Statement of Financial Position
- 74 Statement of Changes in Equity
- 75 Statement of Cash Flows
- 76 Notes to the Financial Statements
- 124 Investor Information
- 126 Notice of Annual General Meeting
- 127 Form of Proxy

Vision

“To be the first choice
for financial solutions”.

Mission

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

WE ARE MULTI FINANCE

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

Multi Finance PLC has long been a source of strength and support for people to grow. For over forty four (44) 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.



Fixed Deposits



Savings



Leasing



Business Loans



Hire Purchase



Multi Draft



Educational Loans



Gold Loans



Trader Finance



Personal Loans

What We Do



Fixed Deposits

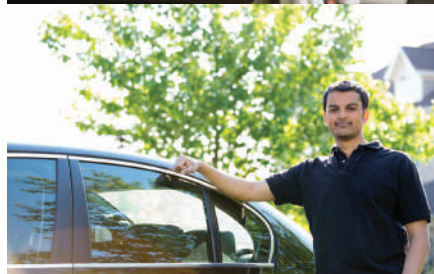
Forming a vital component of our core range of products for over 44 years, our fixed deposits offer higher guaranteed returns combined with immense flexibility on terms and conditions, enabling the most stable path to a sustainable financial future



Savings

Suraksha Savings Accounts

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



Muthuhara Savings Accounts

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



Business Loans

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



Multi Draft

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



Leasing

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



Hire Purchase

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



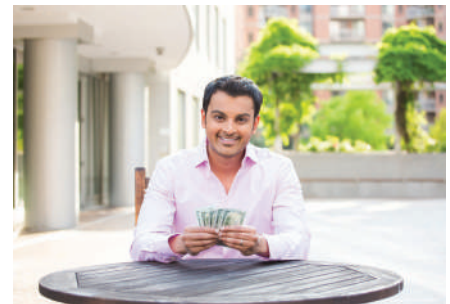
Gold Loans

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



Personal Loans

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



Educational Loans

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



Trader Finance

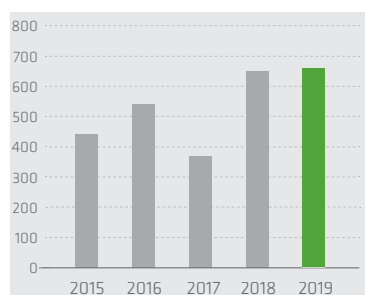
Among the most unique products in our portfolio, our trader finance products are designed to serve the needs of micro-traders, backed by a specially designed evaluation and disbursement protocol that enables the extension of short-term financial facilities within just 24-hours from application.



Financial & Operational Highlights

Results	2018 / 2019	2017 / 2018	Change
	Rs.	Rs.	%
Operating Results - Income Statement			
Income	297,381,813	235,416,652	26.32
Net Interest Income	171,266,586	139,280,386	22.97
Net Income from Operations	197,316,390	170,523,956	15.71
Net Profit/(Loss) after Tax	(63,108,592)	(16,950,585)	(272.31)
Accumulated Profit/(Loss)	(196,777,689)	(109,505,702)	(79.70)
Financial Position			
Total Assets	1,484,570,377	1,633,834,910	(9.14)
Interest Earning Assets	1,256,236,570	1,495,863,216	(16.02)
Lending Portfolio	1,180,536,027	1,197,293,573	(1.40)
Share Holders' Funds	718,484,924	805,805,798	(10.84)
Public Deposits	660,625,887	649,996,600	1.64
Borrowings	44,298,862	16,234,384	(172.87)
Ratios			
Earnings/(Loss) per Share	(0.99)	(0.27)	(272.31)
Dividend per Share	-	-	-
Net Assets Value Per Share	11.30	12.67	(10.84)
Return on Average Shareholders' Funds (%)	(8.28)	(2.08)	(298.18)
Debt to Equity Ratio	0.06	0.02	(206.03)
Market Value per Share			
	Rs.		
Highest value recorded during the Financial Year	21.00		
Lowest value recorded during the Financial Year	9.20		
Closing value at the end of Financial Year	17.30		

Public Deposits (Rs. Mn.)

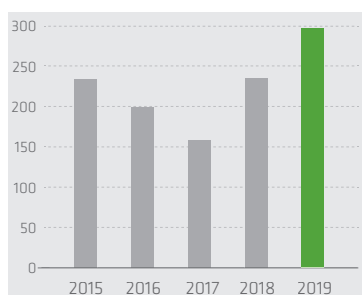


Total Public Deposits Rs. **661** Mn

Company's total Public Deposits have been increased compared to previous year

1.6%

Total Income (Rs. Mn.)

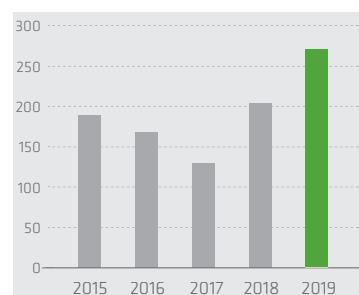


Total Income Rs. **297** Mn

Company's total income has been increased compared to previous year

26.3%

Interest Income (Rs. Mn.)



Interest Income Rs. **271** Mn

Company's Interest Income has been increased compared to previous year

32.9%

Branch Network



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 rates and tailor made packages for our valued customers.

For over four decades we possess an unblemished record in terms of trust and delivery standards

As a licensed finance company that is listed on the Colombo Stock Exchange, the company remains in full compliance with all statutory requirements established by the Central Bank of Sri Lanka. The company's full compliance and stringent commitments to corporate governance was further underscored by its continuous recognition from the Institute of Chartered Accountants of Sri Lanka for the "Annual Report Award for Compliance" in the years 2014, 2015, 2016, 2017, and 2018.



A YEAR OF TRANSFORMATION

EXECUTIVES REPORTS





Chairman's Statement



Like many others in our industry who are faced with these challenging market dynamics, our first priority has been to ensure that Multi Finance PLC is able to secure the investments necessary to comfortably meet the Central Bank of Sri Lanka's capital adequacy requirements.

Chairman's Statement

Growth in the face of uncertainty

The Sri Lankan economy faced another challenging year marked by modest growth – led primarily by the services sector; relatively low inflation, and sudden spikes in foreign exchange volatility that were exacerbated by the monetary policy normalization in the U.S.A – which had notable impacts on most import-reliant emerging and frontier market economies.

Domestic GDP fell sharply below forecast, moderating to 3.2% by the end of 2018, as compared with 3.4% in the previous year. The brightest spots in the Sri Lankan economy during the period under review were found in the services sector which recorded 4.7% growth, together with a recovery in the agriculture sector, which grew at a rate of 4.8% as adverse weather which had prevailed over recent years gave way to more favourable conditions.

In that regard, the unfavourable macroeconomic conditions that persisted through the year under review had a particularly negative impact on the industrial sector which slowed down significantly, with the construction sector in particular recording a contraction during the period under review.

Despite the unprecedented rupee depreciation during the year, inflation was contained to low single digits, however, domestically, the trade deficit surpassed US dollars 10 billion for the first time in history with higher growth in import expenditure outpacing the growth in export earnings, which were at a record level in nominal terms. Although services exports are estimated to have grown substantially, the deficit in the merchandise trade balance, stagnant workers' remittances and rising foreign interest payments resulted in a widened current account deficit of 3.2% of GDP during the year in review.

Low inflation and modest growth resulted in a shift in monetary policy as the Central Bank eased rates at the start of the financial year, leading to a limited overall expansion of credit

granted to the private sector by commercial banks in 2018 was higher than expected, in spite of tight liquidity conditions and high nominal and real market interest rates.

Challenging industry dynamics

Parallel to these developments, the financial services sector was able to carve out a modest growth rate. However subdued economic conditions began to be reflected in the industry's credit quality as non-performing loans and advances recorded notable deterioration across the board. The industry's performance was further inhibited by the sudden but much-needed import-curtailling policies on vehicles – which negatively impacted the core leasing business of the entire industry.

Profitability of the sector during the period also slowed down with increased funding cost and loan loss provisions. Given the highly competitive nature of Sri Lanka's NBFI sector, and the increasing challenges which our industry has contended with, the directives issued by the Regulator to further enhance the resilience of the sector through the imposition of higher capital adequacy, loan loss provisioning and improved reporting standards are a positive step towards greater stability in the NBFI sector. While these are prudent measures over the medium-long term, they present immediate challenges for our industry in general, with most players now seeking out foreign investment in order to meet the stipulated minimum core capital requirements which were revised from Rs. 400 million to Rs. 1 billion by January 2018, followed by Rs 1.5 billion in 2019 and Rs. 2 billion by 2020.

Nevertheless, it was encouraging to note that our industry's asset growth stood at a healthy 5.6% by the end of 2018, representing 7.6% of Sri Lankan financial sector assets, despite the challenges described. The sector also exhibited a shift in the funding mix, as increased assets were mainly funded through borrowings while deposits increased slightly compared to high growth recorded during the previous year.

Although services exports are estimated to have grown substantially, the deficit in the merchandise trade balance, stagnant workers' remittances and rising foreign interest payments resulted in a widened current account deficit of 3.2% of GDP during the year in review

Public Deposits **660.6**
RS. Mn

Total Assets **1,484.6**
RS. Mn

Resilience tested and proved by time

All told, our industry faces unprecedented challenges, however, as a trusted institution that has stood tall in the face of major challenges for nearly half a century, we are proud to state that Multi Finance has continued to rise to the challenge, and unforeseen changes in ownership in the past, we have continued to ensure the company has always maintained its stability no matter what the difficulty.

Like many others in our industry who are faced with these challenging market dynamics, our first priority has been to ensure that Multi Finance PLC is able to secure the investments necessary to comfortably meet the Central Bank of Sri Lanka's capital adequacy requirements.

At the conclusion of the financial year ended 31st March 2019, we are proud to state our organization is now in the final stages of securing these investments. Working in close concert with the Regulator, we have been prudent in selecting an investor capable of fulfilling Multi Finance's entire capital requirement with a single, and

substantial investment. This means that over the course of the coming financial year, Multi Finance PLC will not only have achieved its core capital adequacy requirements for the current year, but will also have reached compliance with the stated 2020 target of Rs. 2 billion as well. This is a development which will provide our organization with the much needed room to maneuver, and adopt a substantially more aggressive approach to capturing market share and expanding our business.

Once total compliance with the stipulated minimum core capital requirements is achieved in the next few months, we plan to move boldly forward with a paradigm shifting approach to financial services – one which sets a new benchmark for sustainability in business by directly linking all products and services with national goals on sustainable social and environmentally-friendly development.

The foundations for success

Over the past 44 years, Multi Finance PLC has successfully overcome challenges and endured lean and difficult times. Throughout, we are proud to note that our team, and our brand has skillfully and prudently navigated every difficult situation put before us, and throughout, we have maintained strict standards of ethical conduct towards our customers, and extremely stringent corporate governance standards that are on par with the largest players in the industry.

In maintaining our values, and our commitment to operational excellence, Multi Finance PLC has honed its ability to operate even within the tightest of margins. These are characteristics which have enabled Multi Finance to always retain the trust and confidence of its customers, and even during the year under review, we are proud to note that our top line performance increased by 26.3% Year-on-Year [YoY] up to Rs. 297.4 million, supported in part by a 1.6% YoY increase in public deposits, which stood at Rs. 660.6 million at the end of the period in review.

Over the course of the coming financial year, Multi Finance PLC will not only have achieved its core capital adequacy requirements for the current year, but will also have reached compliance with the stated 2020 target of Rs. 2 billion. This is a development which will provide our organization with the much needed room to maneuver, and adopt a substantially more aggressive approach to capturing market share and expanding our business.

While we continue to grapple with the accumulated losses of the company, which had been exacerbated by the unfortunate external difficulties imposed on the company by its previous parent group, we take great encouragement from the remarkable internal growth that has been generated by Multi Finance, supported by our present parent organization.

Over the past two years, we have sought out and recruited the very best talent in the industry, and melded it with fresh ideas from experts on co-related fields that have brought in new ideas and approaches to our industry. Our goal is not simply to achieve profits. Our goal is larger, and more ambitious. Moving forward we are committed to transforming our business model into one of profitable social enterprise. Over the medium term, this will entail the complete eradication of the company's accumulated losses, and a full return to profitability by 2021.

Acknowledgements

In concluding, I wish to once again place on record my deep appreciation and gratitude to the entire team at Multi Finance PLC, from our newest recruits to our Senior Management. Your collective commitment, discipline, and passion to better serve our customers is at the heart of our success, and as we move into a new era for

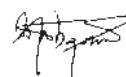
our organization, I look forward to the continuing success, that we will achieve together, as we work to harness our vision of leading sustainable transactions that benefit all Sri Lankans.

Equally importantly, we wish to express our sincere gratitude to the officials at the Central Bank of Sri Lanka and its Department for the Supervision and Regulation of Non-Banking Financial Institutions for their invaluable guidance and support in securing a stable foundation from which we can now drive Multi Finance PLC to new and greater heights.

Similarly, we recommit ourselves as an organization to always serve the best interests of our most valued customers, all of whom stand as our greatest source of strength. We cherish the trust and confidence which they have retained in us, and stand firmly and absolutely committed to honoring this trust at all times.

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 at Multi Finance we look forward with great anticipation to a bright and prosperous future of inspired social enterprise.

Thank You



Mr. Kuvera De Zoysa
Chairman

01st July 2019

Chief Executive Officer's Statement



The investments made by the company over the past year towards the enhancing capabilities across of our branch network and consolidating the organisation's administrative functions have continued to yield valuable returns in terms of enhanced operational capacity and improved service delivery.

It is my pleasure to present our valued stakeholders with the Annual Report and Audited Financial Statements of Multi Finance PLC [MFPLC] for the financial year ended 31st March 2019. We are proud to report that over the past year, our organization continued to demonstrate outstanding resilience in the midst of a challenging macroeconomic and industry environment.

Over the past year, we have made significant progress in the continuing consolidation of our financial and operational position, as evidenced by notable improvements in key performance indicators. The investments made by the company over the past year towards the enhancing capabilities across our branch network and consolidating the organisation's administrative functions have continued to yield valuable returns in terms of enhanced operational capacity and improved service delivery.

Importantly, these operational improvements were done as part of a much wider strategy that aims to realign every aspect of our organization around two core principles: profitability, and sustainability. Over the past two years, MFPLC, acting under the careful guidance and authority of the Central Bank of Sri Lanka [CBSL] had the majority of its share capital acquired by our parent, Fairway Holdings.

This investment signaled the start of a transformative period for MFPLC, during which every effort was made to radically optimize the business, and while, many challenges still remain, our 44 years of unbroken stability supported by a firm commitment to delivering maximum value to our most valued customers. Today, it is this very commitment which powers our efforts to enable a new paradigm in sustainable financial services.

Financial and operational performance

As noted by our Chairman, the year in review was characterized by subdued GDP growth and specific developments that acted as a direct constraint on the performance of the banking and non-banking financial services sector alike. In addition to the announcement of more stringent regulatory capital requirements – which will likely create extended implications for the structure of the entire sector over the medium term – specific policies aimed at curtailing vehicle imports stringent loan to value ratios also directly impacted the performance of some of the company's core business segments.

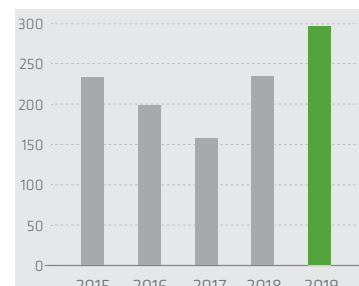
In that regard, it is deeply encouraging that despite these conditions, MFPLC was able to increase income earned during the year in review from Rs. 235.4 million up to Rs. 297.4 million, reflecting a health growth rate of 26.3% Year-on-Year [YoY].

Similarly, net interest income expanded by a highly commendable 23% YoY up to Rs. 171.3 million while fee and commission income increased from Rs. 13.6 million up to Rs. 15.2 million by the end of the period in review.

Interest income from loans to customers continued to serve as the primary source of revenue generation for the company. During the year in review, loan interest expanded sharply from Rs. 84.1 million up to Rs. 131.5 million, which is a 56.3% incremental growth followed by interest generated from leasing rose sharply to Rs. 77.5 million, as compared with a previous Rs.33 million which is a 134.8% growth.

The company's pawning business generated interest income of Rs. 42 million, against Rs. 28.6 million in 2018, while fixed deposit loans generated income increased from Rs. 2 million up

Total Income (Rs. Mn.)



In addition to the announcement of more stringent regulatory capital requirements – which will likely create extended implications for the structure of the entire sector over the medium term – specific policies aimed at curtailing vehicle imports also directly impacted the performance of some of the company's core business segments.

Chief Executive Officer's Statement

to Rs. 7.83 million. Meanwhile, interest generated from hire-purchase products recorded a marked decline from Rs. 3.63 million down to Rs. 1.24 million reflecting the less prominence given on the product as the strategy direction was towards promoting leasing business.

Our lending portfolio during this period recorded a marginal contraction of 1.4% YoY down to Rs. 1.18 billion while interest earnings assets across the entire company fell by 16% YoY down to Rs. 1.26 billion. Notably however, MFPLC continued to sustain and build on the trust and confidence reposed in the organization, as evidenced by the marginal 1.64% YoY increase in public deposits to the company during this time.

Despite the important and highly commendable improvements made in key sectors of the company's performance, the company continued to face a net loss after tax of Rs. 63.1 million, as compared with a loss after tax of Rs. 17 million in the previous year. These dynamics also had the effect of increasing the company's accumulated loss from Rs. 109.5 million up to Rs. 196.8 million by the end of the year where the main reason for this is seen as slowdown in the lending portfolios in comparison with the budget as a result of failing to infuse the capital. Consequently, a loss per share of Rs. 0.99 was recorded during the year, against a previous loss per share of Rs. 0.27.

Meanwhile, the company's total asset base witnessed a 9.1% YoY contraction down to Rs. 1.5 billion, owing in part to an increase in fixed and savings deposits due to customers, which increased from Rs. 650 million up to Rs. 660.6 million.

Capitalizing on our growth potential

While the company continued to demonstrate remarkable resilience in the years following the collapse of its previous parent, over the next two years, we were able to maintain tremendous stability across the breadth of our operations,

leveraging upon the trust, expertise and customer loyalty which we have built up over the past 44 years. Operating under the close guidance and oversight of the Central Bank of Sri Lanka, Fairway Holdings came forward and was selected as our parent organization, and this served as a source of major strength for MFPLC.

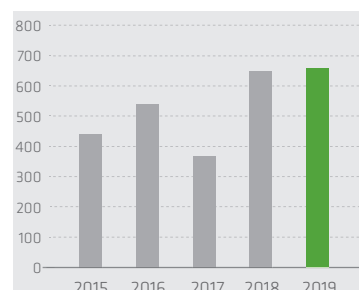
In the two years since these milestone developments, we take great encouragement and satisfaction from the outstanding progress which the company has made in maintaining its customer base despite notable restrictions on our ability to accumulate capital, which in turn hampered MFPC's ability to sustain asset growth.

A key point to consider in that regard is that throughout these notable challenges, MFPLC has been successful in maintaining zero borrowings. Given that the company was not yet able to aggressively pursue new business, we continued to place a strong emphasis on consolidation and streamlining of existing operations, including a rigorous focus on trimming non-performing assets. These are both factors which have made further investment into MFPLC a substantially more attractive prospect.

Furthermore, it is vital to acknowledge that even though the company made a negative bottom line, the entirety of its operational expenses – as in previous years – continued to be funded purely out of the operational income generated by the operations. Also we have adjusted our cost structure accordingly to the income generated adopting management cost effective methodologies. This is another positive indication of the underlying strength and stability of MFPLC.

Particularly in light of the rising regulatory capital requirements which has prompted the entire industry to seek out more investment and potentially even a consolidation of players in order to achieve compliance with the 2021 target of Rs. 2.5 billion in reserve capital. While these regulations are anticipated to present notable

Public Deposits (Rs. Mn.)



In that regard, it is deeply encouraging that despite these conditions, MFPLC was able to increase income earned during the year in review from Rs. 235.4 million up to Rs. 297.4 million, reflecting a health growth rate of 26.3% Year-on-Year [YoY].

challenges across the industry, MFPLC has been fortunate to have successfully charted a path towards meeting all regulatory requirements for the next 3 years. As noted by our Chairman, the final stages are now underway in finalizing these major investments into the company. In that regard, we anticipate the finalization of the entire Rs. 2.5 billion in regulatory capital requirements will be met within the first two quarters of the next financial year. This will represent another massive milestone for the company, once which signals a new era of growth and innovation for MFPLC.

As at 31st March 2019, the stated capital of the company stood stable at Rs. 898.4 million while its core capital ratio and total risk weighted capital ratio stood at 62.7% each, as compared with minimum statutory requirements of 6% and 10% respectively.

Reinvigorated by this substantial capital infusion, and aligned to an innovative, technology-enabled, sustainability focused business model, MFPLC will thereafter work towards the complete eradication of accumulated losses and a full and lasting return to profitability by 2021.

Enhancing value proposition

Over the past two years, the business model of MFPLC has undergone a significant re-evaluation and re-alignment. Our goal is to transform our organization and our industry towards a paradigm of value-driven, sustainable social enterprise. Accordingly, over the year under review, the company was successful in revamping its entire branch network, which today stands fully upgraded and ready to leverage on cutting-edge digital platforms – both in terms of administrative and customer facing functions.

While our ability to capture new business is still limited under the present environment, it is vital to note that as at the end of the last financial year, MFPLC is poised to rapidly roll out this pioneering new business model. With the

Interest income from loans to customers continued to serve as the primary source of revenue generation for the company. During the year in review, loan interest expanded sharply from Rs. 84.1 million up to Rs. 131.5 million, followed by interest generated from leasing rose sharply to Rs. 77.5 million, as compared with a previous Rs. 33 million.

previously described capital infusions secured, we have utmost confidence that we can achieve a rapid expansion in the scale of operations – given that our strategy for expansion, and the infrastructure and operational protocols necessary to succeed are now well established.

In accordance with this ambitious new vision for sustainability oriented financial products and services, we entered into support services agreements with leading mobile services provider, Mobitel, in order to exclusively promote digital financial services transactions, powered by “Mcash”.

Further investments were also completed towards the development of a new Customer Relationship Management [CRM] which will play a pivotal role in optimizing appraisals for leasing – one of our core business segments. Similarly, we also partnered with LankaPay to leverage on its common ATM switch in order to provide our customers with even greater value and convenience in moving forward.

Moving forward, our stakeholders can expect even greater advancements in this field as we work to augment existing technologies within our business model in new and innovative ways.

A sustainable outlook

The year under review was also crucial for MFPLC in terms of bolstering our team with highly capable employees and an outstanding

management team comprised of leading professionals with direct and extensive industry experience. Particularly when compared against the previous year when we had just over half of our key positions filled, the position of MFPLC is on a substantially stronger footing.

Working closely with the CBSL, we are now gearing up for a year of significantly improved growth, backed by the resources, infrastructure and technical expertise necessary to excel. Moreover, our flagship sustainability initiative – launched last year under the banner of ‘Each One Plant One’ is also gathering pace, with a trio of tree planting campaigns under sustainable growth lined up for the new year.

The year ahead promises continued volatility, particularly when considering the impact of a fresh election cycle towards the end of the calendar year. Nevertheless, with the company fully capitalized, and a general expectation of greater macroeconomic stability in 2020, MFPLC is poised for a rewarding year ahead.

Acknowledgements

Despite significant challenges, our organization has undergone a remarkable transformation over the past year and in this regard, I wish to conclude my remarks by first thanking our valued team of employees and senior managers who continue to stand as one of our greatest sources of strength. In the year ahead, MFPLC will rapidly expand the scope of its operations, and I have complete confidence that our team will be more than ready to rise to the challenge.

We also wish to express our gratitude to the parent company, and to the Central Bank of Sri Lanka whose guidance and support have been invaluable in re-establishing stability and bolstering the internal strength and resilience of our organization, so that we may move into a new year better prepared and ready to capture new market opportunities.

Chief Executive Officer's Statement

It is vital to acknowledge that while the company continued to face difficulties in its bottom line, the entirety of its operational expenses – as in previous years – continued to be funded purely out of the income generated by our operations. This is another positive indication of the underlying strength and stability of MFPLC.

Additionally, I wish to thank our Chairman and Board of Directors under whose watchful supervision, our organization has continued to stand stable and secure in the face of challenges, and grow with every opportunity put before us. On behalf of the entire team at MFPLC, we recommit ourselves to achieving the bold new vision that they have charted out for our organization.

Lastly, on behalf of myself and the entire team at Multi Finance PLC, we thank our stakeholders and most valued customers for their continuous trust and confidence in our brand, our people, and our services. Throughout, they have been at the heart of all of our efforts and we remain deeply committed to serving their needs in a manner that ensures the greatest value, while promoting sustainability across every facet of our operations, in order to deliver on their aspirations. Moving forward, we aim to further strengthen these partnerships as our organization itself moves into a new paradigm in sustainable financial transactions.

Thank You



Pushpika Jayasundera
Director/Chief Executive Officer

01st July 2019

The Board of Directors



Mr. Kuvera De Zoysa

Chairman/Independent, Non-Executive Director



Mr. Pushpika Jayasundera

Non-Independent, Executive Director/Chief Executive Officer



Mr. Imal Fonseka

Non-Independent, Non-Executive Director



Mr. W. Lakshman

Non-Independent, Non-Executive Director



Mrs. C. J. Atapattu

Non-Independent, Executive Director



Mr. Palitha Abesekara

Non-Independent, Non-Executive Director



Dr. Ravi Fernando

Independent, Non- Executive Director

The Board of Directors

Mr. Kuvera de Zoysa

Chairman/Independent,
Non-Executive Director

Kuvera de Zoysa, was admitted as an Attorney-at-Law of the Supreme Court of Sri Lanka in 1993 and as a President's Counsel in 2012. He holds an LL.M. in International Trade Law from the University of Wales.

He has considerable experience in the areas of corporate and commercial law, banking law, international trade law, investment law, insurance law, maritime security law, corporate/commercial based litigation and arbitration and sports law.

Mr. de Zoysa has spearheaded many IPOs, and provided legal opinions and strategic and value adding advisory services on diverse commercial and corporate transactions including restructurings and public private partnerships. He has also successfully appeared in many landmark litigation and arbitration matters involving complex corporate and commercial legal matters both locally and internationally.

He has served as Chairman/ Director on the Boards of many companies, both listed and unlisted and further served on Board appointed audit, legal, risk management, remuneration and executive credit committees of leading corporates. He currently sits on the boards of leading institutions in the financial and leisure sector in Sri Lanka.

He was awarded the "the Young Outstanding Persons" Award the HSBC – JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the field of Law in 2007 and was a guest speaker at the 32nd Cambridge International Symposium on Economic Crime, Jesus College, Cambridge held on the 3rd of September 2014. Mr. de Zoysa has presented papers on corporate/commercial law related subjects at many forums. Papers on foreign direct investment were submitted by him at Sri Lanka's National Law Conferences held in 2013 and 2016. He was also part of the committee appointed by the Government of Sri Lanka that drafted the 2017 amendment to the Civil Procedure Code of Sri Lanka, which focuses on minimizing laws delays.

Pushpike Jayasundera

Non-Independent, Executive 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 reputed banks for more than 15 years, namely HNB and Union Bank.

He has experience in the areas of retail and corporate credit, project financing, factoring, leasing, margin trading, hire purchase, pawning and recoveries. He was instrumental in establishing the entire leasing operation at Union Bank and developed its IT system which consists of on line credit approval to fully automated GL module. During its first year of operation he surpassed a portfolio of Rs.1.0 Bn with a NPL ratio of below 0.1%.

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

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

Mrs. Champika Atapattu

Non-Independent Executive Director

Appointed to the Board in August 2002. Mrs. Atapattu serves the Company as Director – Legal. 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 has further experience in secretarial work in addition to her experience in the field of conveyancing.

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

Mr. Imal Fonseka

Non-Independent, Non-Executive Director

Imal is the Group CEO of Fairway Holdings. Hitherto he has 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 on 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 (2016,2017,2018) 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 has 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).

The Board of Directors

Mr. Palitha Abeysekera

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

Mr. Lakshman holds a Masters degree 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 27 years' experience in the finance and leasing industry, including both managerial senior managerial positions in the LOLC group and LB Finance PLC and Lakderana Investments Limited.

Dr. Ravi Fernando

Independent, Non-Executive Director

Dr. R. A. Fernando 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 as CEO/ Managing Director, Business Development and Marketing Management positions between 1981- 2007.

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.

Corporate Management Team



Pushpike Jayasundera
Director/Chief Executive Officer



Saminda Ratnayaka
Assistant General Manager



Asanka Melroy Galbadaarachchi
Senior Manager - Finance



Duminda Priyashantha
Manager - Pawning



Jayanthi Jayasuriya
Senior Manager - Fund Mobilization/Compliance



Thanuja Suriyaarachchi
Head of Human Resources



Sashika De Silva
Head of Credit & Credit Admin



Venura Ruhunage
Manager - IT



Ruchira Perera
Head of Recoveries & Investigations



Nirmala De Silva
Senior Manager - Legal

Management Team



Manoj Denipitiya

Manager Branch and Marketing - Colombo Branch



Jeewana Yapa

Branch Manager - Matara Branch



Prasanna Wijethilaka

Acting Branch Manager - Anuradhapura Branch



Sriyanga Lakmal

Branch Manager - Gampaha Branch



Kasun Ekanayake

Acting Branch Manager - Kandy Branch



Janaka Fernando

Branch Manager - Rathnapura Branch



Sampath Goonawardena

Assistant Manager - Kurunegala Branch



Rajeewa Liyanage

Manager Recoveries and Investigation



Gayani Ravindrakumar

Personal Assistant to Director / CEO

A YEAR OF TRANSFORMATION

MANAGEMENT REPORTS





Management Discussion and Analysis

MFPLC's income expanded at a rate of 26.3% YoY up to Rs. 297.4 million while net interest income posted a similarly vibrant 23% YoY growth rate to conclude the year at Rs. 171.3 million.



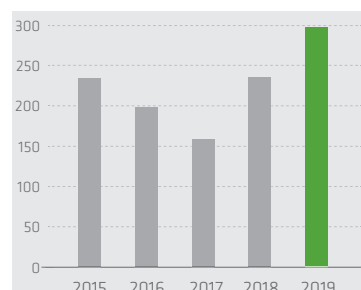
The services sector continued to deliver the strongest sectoral growth rates, recording a 4.7% YoY expansion in 2018, as compared with 3.6 per cent recorded in the previous year, fueled primarily by 8.2% YoY growth in financial services

Domestic environment

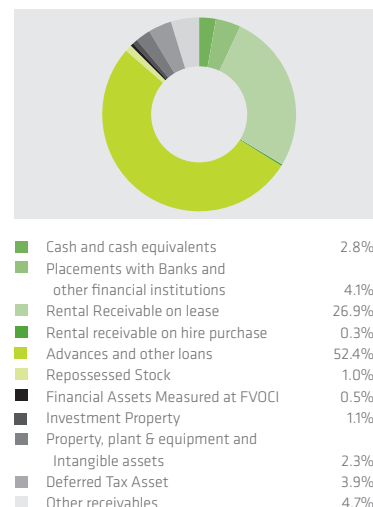
The Sri Lankan economy faced another year of subdued performance as GDP growth moderated from 3.4% Year-on-Year [YoY] down to 3.2% YoY in 2018 owing to a mixture of global and domestic volatility, persistent exchange rate volatility and a challenging external sector performance.

While a rebounding agriculture sector and strong services-led growth gathered momentum during the year under review – the former of which had favourable impacts on headline and food inflation – the industries sector recorded a notably weaker performance in 2018, owing in particular to a drastic contraction in the construction sector. These conditions created notable challenges for consumers, investors and businesses, leading to an overall sluggish performance in the

Total Income (Rs. Mn.)



Assets Composition (Company)



Management Discussion and Analysis

wider economy, as evidenced by the marginal contraction in per capita GDP down to US\$ 4,102; in addition to rising unemployment and a spike in Government debt as a percentage of GDP – which rose to 82.9% in 2018, as compared with 76.9% in 2017.

Agriculture sector

Bolstered increased momentum in the recovery from unfavourable weather conditions prevalent in the previous year, the agriculture sector recorded growth of 4.8% YoY, as compared with contractions of 0.8% YoY and 3.8% YoY in 2017 and 2016 respectively. In that regard the sector's improved performance was most evident in the growing of cereals, rice, non-perennial crops, and in the growth of coconut, oil palm and king coconut. However, other sub-sectors – including tea, rubber and forestry all witnessed subdued performances during the year in review.

Services sector

The services sector continued to deliver the strongest sectoral growth rates, recording a 4.7% YoY expansion in 2018, as compared with 3.6 per cent recorded in the previous year, fueled primarily by 8.2% YoY growth in financial services, and supported by a 4% YoY expansion in wholesale and retail trade and a vibrant 8.9% YoY expansion in IT services. Collectively, the services sector contributed 56.8% of Sri Lanka's GDP, reflecting its crucial position in the domestic economy.

Industries sector

In a concerning development for the wider economy, growth momentum in industrial activities underwent a drastic moderation, closing the year with a growth rate of 0.9% YoY, as compared with a much healthier rate of 4.1% YoY in 2017. This weaker performance was in turn drive primarily by

sluggish performance in construction, and mining and quarrying activities. However, the performance of manufacturing, and electricity, water and waste treatment activities contributed towards the expansion in industry activities.

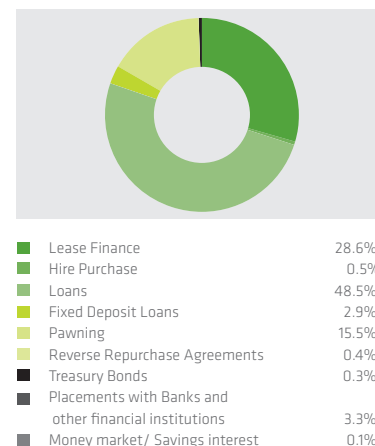
Construction activities, which accounted for 6.8% of GDP, contracted by 2.1% YoY during 2018 as compared with an expansion of 4.3% recorded in the previous year. Meanwhile, manufacturing activities, which accounted for 15.5% of GDP, posted a modest growth of 3% YoY, supported by improved production in food products, beverages, apparel, rubber and plastic products, and refined petroleum products and textiles.

However, production in the subsectors of paper and paper products, chemicals and chemical products, electrical equipment and furniture products contracted during the period under review. Meanwhile, electricity, water and waste treatment activities also contributed to economic growth with an expansion of 4.7 per cent during 2018.

Interest rates

During the year in review, multiple interventions were made to adjust interest rates as part of a policy to slightly ease the tight monetary policy which prevailed throughout the previous year. Consequently, The Standing Lending Facility Rate (SLFR) was reduced by 25 basis points to 8.5%, while the Standing Deposit Facility Rate (SDFR) was kept unchanged at 7.25%. This decision narrowed the width of the Standing Rate Corridor (SRC) to 125 basis points from 150 basis points. By November of 2018, the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of licensed commercial banks (LCBs) was reduced by 1.5% to 6% from 7.5% while The SLFR was increased by 50 basis points to 9%, while the

Composition of Interest Income
(Company)



There was a marginal contraction in per capita GDP down to US\$ 4,102; in addition to rising unemployment and a spike in Government debt as a percentage of GDP – which rose to 82.9% in 2018, as compared with 76.9% in 2017.

SDFR was increased by 75 basis points to 8% and the SRC was narrowed to 100 basis points from 125 basis points. Moving closer to the end of the financial year, the SRR applicable on all rupee deposit liabilities of LCBs was reduced to 5%

External sector

A notable limiting factor on the performance of the Sri Lankan economy in 2018 was in relation to the external sector which faced considerable volatility due to local and global headwinds. Globally, monetary policy normalization – particularly in the USA resulted in global financial conditions tightening, thus causing capital outflows from emerging market economies and increased pressure on exchange rates of twin deficit

economies like Sri Lanka. These dynamics were most evident when considering the performance of the Sri Lankan rupee, which depreciated by an unprecedented 16.4% YoY against the US dollar in 2018.

Consequently, the year under review was characterized by increased foreign exchange outflows, particularly due to higher import expenditure and capital outflows

The trade deficit expanded as the growth of import expenditure, driven by a significant increase in the imports of vehicles and fuel - as well as gold during early 2018 - outpaced the growth of export earnings. The deficit in the primary income account widened with an increase in interest payments on foreign loans by the government and dividend payments by direct investment enterprises [DIEs].

Notably, Sri Lanka continued to enjoy a strong performance in tourism, as arrivals soared by 10.3 YoY, leading to parallel growth in tourism generating earnings, which expanded at a remarkable pace of 11.6% YoY up to US\$ 4.4 billion in 2018 as compared with US\$ 3.9 billion in 2017.

Meanwhile, workers' remittances contracted by 2.1% to US\$ 7 billion continuing a lowering trend first witnessed in 2017 when remittances dipped by 1.1% YoY. Consequently, the current account deficit is estimated to have widened to US\$ 2.8 billion in 2018.

Earnings from exports grew by 4.7% YoY up to US\$ 11.9 billion supported by the continuing positive impacts stemming from the restoration of the European Union - Generalised System of Preferences Plus [EUGSP+] facility, together with conducive external trade policies together with strong institutional support and the flexible

exchange rate policy maintained by the Central Bank buttressed the performance of export earnings.

Earnings from industrial exports contributed to the expansion in export earnings in 2018, while earnings from agricultural and mineral exports declined. Industrial exports, which accounted for around 78% of total exports, increased by 8.4% YoY up to US\$ 9.3 billion during the year in review.

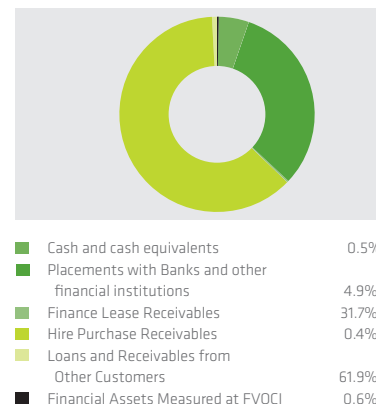
Unfortunately, import expenditure continued to drastically outpace export performance, expanding at a rate of 10.4% YoY through the first 9 months of 2018 before it sharply contracted by 5.9% YoY in the final quarter of 2018 owing to targeted interventions aimed at easing the considerable pressure on the country's foreign reserves.

Total expenditure on imports expanded at a rate of 6% YoY up to US\$ 22.2 billion in 2018, in comparison to US\$ 21 billion in 2017. Within this increase, expenditure on non-fuel imports posted growth of 3%, closing the year at US\$ 18.1 billion. Crucially, expenditure on intermediate goods imports - which accounted for more than half of the total imports - increased by 9.2% to US\$ 12.5 billion.

Among the primary contributions to these were a 21.1% YoY increase in fuel imports, together with a massive 154.4% YoY increase in fertilizer imports and a 4.9% YoY expansion in textiles and textile articles. Expenditure on gold imports also contributed significantly to higher import growth during the first four months of the year.

As a result of these dynamics, the Central Bank was compelled to initiate prudential measures to curb non-essential imports through the imposition of increased tariff rates, stricter margin requirements and

Composition of Interest Bearing Assets (Company)



a concerning development for the wider economy, growth momentum in industrial activities underwent a drastic moderation, closing the year with a growth rate of 0.9% YoY, as compared with a much healthier rate of 4.1% YoY in 2017.

tighter Loan-to-Value [LTV] ratios, together with the suspension of issuance of Letters of Credit [LCs] on vehicle permits.

Gross official reserves, which reached the historically highest level of US\$ 9.9 billion in April 2018, were placed under notable pressure in that regard. A rising import bill combined with foreign debt-service payments resulted in gross official reserves lowering to US\$ 6.9 billion - amounting to import cover of 3.7 months - by the end of 2018, before recording significant improvements upon the issuance of new International Sovereign Bonds at the conclusion of the financial year in review.

Domestically, the trade deficit surpassed US\$ 10 billion for the first time in history with higher growth in import expenditure outpacing the growth in export earnings, which were at a record level in nominal terms.

Management Discussion and Analysis

Although services exports are estimated to have grown substantially, the deficit in the merchandise trade balance, stagnant workers' remittances and rising foreign interest payments resulted in a widened current account. Hence the overall Balance of Payments (BOP) recorded a deficit of US\$ 1.1 billion while the current account deficit widened to 3.2% of GDP by end 2018 as compared with 2.6% of GDP in 2017.

Unemployment

Another symptom of subdued economic growth was seen in the marginal increases in the rates of unemployment, which in 2018 rose to 4.4% as compared with 4.2% in 2017. Both male and female unemployment rates increased during the year to 3% and 7.1% respectively

Another crucial challenge for the Sri Lankan economy moving forward was the relatively high rates of youth unemployment which in 2018 rose to a high of 20.1% and 10.4% for youth in the age brackets of 20-24 and 25-29 respectively. Meanwhile, the labour force participation rate (LFPR) fell considerably down to 51.8% in 2018, as compared with 54.1% in 2017. SME development and access to education, training and skills development that prepare youth to align with emerging economic opportunities – particularly those in the services sector – remain a key priority.

Outlook

Economic growth was initially projected to reach 4% in 2019 and gradually projected to increase up to 4.5% and 5% by 2020 and 2021, however following the tragic April attacks in 2019, the country's was forced into a state of deep volatility. While the security situation in the country has since normalized, the country is anticipated to face continued economic and policy volatility in the lead up to elections at the end of the calendar year. In the interim, it is anticipated that private sector and foreign direct investment will continue at a slower pace.

Banking Industry performance

The generally challenging macroeconomic environment prevalent through the year in review, were also reflected in the performance of the financial services sector, particularly with respect to growth in total assets, and rising levels of Non-Performing Assets (NPAs). Despite these challenges however, it is notable that the sector was successful in maintaining capital and liquidity levels above the statutory minimum requirements.

Asset growth in the sector was primarily driven by a significant increase in lending with loans accounting for 84.1 per cent of the asset growth of the banking sector during 2018; where deposits continued to serve as the primary source of funding, accounting for 72% of total liabilities in the banking sector.

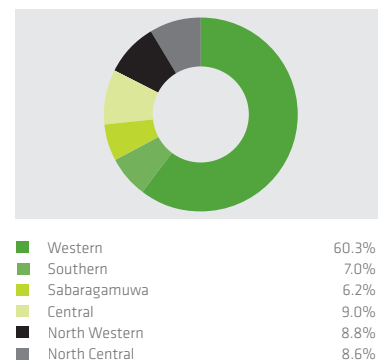
Gross NPL ratio, which recorded a historical low figure of 2.5 per cent at end 2017, increased to 3.4 per cent by end 2018. Profitability of the banking sector moderated in 2018, due to the deterioration in asset quality, rise in operating costs and increase in taxes. Lower profits of the sector, during 2018, were reflected by the decline in Return on Assets (ROA) and Return on Equity (ROE).

Non-Banking Financial Services Performance

As at the end of 2018, the Sri Lankan NBFIs sector was comprised of 43 Licensed Finance Companies (LFCs) and 5 Specialized Leasing Companies (SLCs) which operated across a collective 1,373 branches and 658 – with the majority 68% of branches being concentrated outside the Western Province.

During the year under review, the sector witnessed a decline in profitability largely stemming from weaker lending activities in the wake of macro prudential measures aimed at curtailing vehicle imports – a measure while effective in tackling a surge in import expenditure, were nevertheless a

Geographical Concentration of Lending Portfolio (Company)



Construction activities, which accounted for 6.8% of GDP, contracted by 2.1% YoY during 2018 as compared with an expansion of 4.3% recorded in the previous year.

major constraint on vehicle leasing, hire-purchase and repurchase operations which form one of the most crucial streams of revenue for the sector.

Among the most notable of these policy interventions was the directive to LFCs and SLCs revising LTV ratios in respect of electric, hybrid and other unregistered vehicles and registered vehicles, which have been used in Sri Lanka for less than one year after the first registration. By the end of 2018 LTV ratios for Hybrid Motor Cars, Vans and SUVs was reduced to 50 per cent.

A further development of note for the sector were directives to further strengthen the capital adequacy framework for LFCs and SLCs with a view to fostering a strong emphasis on risk management and encouraging ongoing improvements in LFCs/SLCs' risk assessment capabilities.

Particularly given the difficult market conditions and the impact of fiscal and macroeconomic policy measures to curtail imports of motor vehicles and credit facilities for purchase of new vehicles, the profitability of the sector recorded a marked decline during the year – owing to higher cost of funding and higher loan loss provisions made against NPLs.

Signs of stress towards the sector's profitability during the year were reflected in the decrease in ROA and ROE. Consequently, total assets slowed down, recording a growth rate of 5.6% YoY up to Rs. 1.43 trillion, as compared with a growth rate of 11.8% YoY in 2017.

During the year under review, the asset base of the sector was primarily comprised of loans and advances which accounted for 79.4% of total sector assets. Finance leases accounted for the highest share of loans and advances, representing 52.8% followed by other secured loans, which accounted for 38 % of the sector's portfolio.

Parallel to increased loans in a weaker economic environment, the sector's NPA ratio increased to some of the highest levels on record over the past 3 years, closing 2018 at 7.7% in 2018 as compared to 5.9% in 2017. Given the on-going challenges facing the economy, it is widely anticipated that NPAs will continue to rise as asset quality deteriorates.

In addition to rising liabilities, the sector's overall revenue streams were also impacted, with net interest income across the NBFI sector increasing at a slower pace of 6% YoY up to Rs. 108.8 billion in 2018. As a result, NBFI net interest margin (NIM) posted a growth rate of 7.4% YoY reducing marginally from 7.7 per cent in 2017. However, non-interest income increased by 11.9% YoY

mainly due to increase in default charges and other service charges while non-interest expenses also increased by 1.5%YoY.

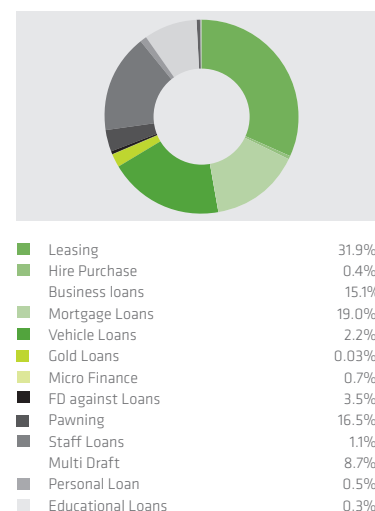
As a result of these dynamics, the NBFI sector's profit after tax (PAT) posted a notable 17.2% YoY reduction down to Rs. 21.4 billion in 2018, while ROA declined by 51 basis points and ROE declined by nearly 400 basis points to record ratios of 2.7% and 12.1% respectively.

Total regulatory capital levels improved by Rs. 15.5 billion in 2018 compared to the figures reported in 2017, mainly due to the enhancement of the minimum capital requirement by the Central Bank to Rs. 1 billion from 01 January 2018. This minimum requirement is further increased to Rs.1.5 billion by 01 January 2019. LFCs and SLCs are required to maintain minimum Tier I capital adequacy ratio of 6 per cent and total capital ratio of 10 per cent with effect from 01 July 2018 under the new capital adequacy framework

Company performance

While the company continued to deal with a legacy of challenges stemming from the exit of its former parent company, the overall strength of the organization continued to improve under the ownership of its new parent, Fairway Holdings. During the year in review, Multi Finance PLC (MFPLC) was successful in leveraging on the resources provided by its parent to further consolidate on the stability of its core operations as reflected by improving performance in the company's topline performance despite the continuing challenges generated at the macroeconomic level. Among the most crucial improvements enabled over the past year were a complete revamp of the company's branch network in order to lay the foundation for cutting edge fin-tech products and a revolutionary level of service delivery.

Product Concentration (Company)



During the year in review, multiple interventions were made to adjust interest rates as part of a policy to slightly ease the tight monetary policy which prevailed throughout the previous year. Consequently, The Standing Lending Facility Rate (SLFR) was reduced by 25 basis points to 8.5%, while the Standing Deposit Facility Rate (SDFR) was kept unchanged at 7.25%.

During the period under review, MFPLC's income expanded at a rate of 26.3% YoY up to Rs. 297.4 million while net interest income posted a similarly vibrant 23% YoY growth rate to conclude the year at Rs. 171.3 million.

Meanwhile, fee and commission-based income increased from 13.6 million in 2017/18 up to Rs. 15.2 million and other income declined from Rs. 17.6 million down to Rs. 10.9 million by the end of the year in review.

Management Discussion and Analysis



Branch Refurbishment - Ratnapura



Branch Refurbishment - Kurunegala

Despite the challenging environment, recruitment continued to remain a key priority for the company, hence MFPLC was successful in filling key positions both at its head office and across the branch network, as evidenced by increased personnel costs of Rs. 115.4 million, as compared with an expense of Rs. 84.6 million in 2017/18.

The limitations placed on the company as a result of the final issues faced by the exit of its previous parent company together with unfavourable market conditions,

and challenges in terms of leveraging capital for business expansion given the escalating regulatory capital requirements, MFPLC recorded a constrained bottom line performance in 2018/19.

These dynamics resulted in wider losses after tax of Rs. 63.1 million in 2018/19, as compared with a net loss of Rs. 17 million in the previous year. Consequently, accumulated losses of the company expanded by 79.7% YoY up to Rs. 196.8 million. Shareholder

A notable limiting factor on the performance of the Sri Lankan economy in 2018 was in relation to the external sector which faced considerable volatility due to local and global headwinds.

funds during this time posted a 10.8% YoY reduction down to Rs. 718.5 million while the company's loss per share increased from Rs. 0.27 up to a loss per share of Rs. 0.99 by the end of 2018/19.

Total assets during the period under review contracted by 9.1% YoY down to Rs. 1.48 billion while the unfavourable economic climate and resulting impacts on interest rates and forced down earnings from interest earnings assets by 16% YoY down to Rs. 1.26 billion by the end of 2018/19.

Meanwhile, the company's lending portfolio recorded an overall contraction of 1.4% YoY down to Rs. 1.18 billion while public deposits expanded by 1.64% YoY up to Rs. 660.6 million – reflecting the steady confidence reposed in MFPLC by its loyal customers.

The company's pawning business generated interest income of Rs. 42 million, against Rs. 28.6 million in 2017/18, while fixed deposit loans generated income increased from Rs. 2 million up to Rs. 7.83 million. Meanwhile, interest generated from hire-purchase products recorded a marked decline from Rs. 3.63 million down to Rs. 1.24 million reflecting subdued market conditions prevalent by the end of the period in review.

As emphasized in preceding chapters of this report, statutory reserve capital was among the primary concerns for the entire industry, and for MFPLC as well. The strong progress made by the company to secure its regulatory

capital requirements through to 2020 is in that regard a vital precursor to improved business fundamentals and a rejuvenated ability of the company to aggressively pursue market opportunities within the framework of a pioneering business model that focuses on sustainability as well as profitability.

During the year in review, MFPLC's core capital and total risk weighted assets ratios stood at 62.7% respectively, as compared with the stipulated minimum requirements of 6% and 10% respectively while the negotiations currently underway – under the close supervision and guidance of the Central Bank of Sri Lanka – will pave the way to even greater stability and prosperity for the company over the course of the coming financial year.

In the coming financial year MFPLC remains committed to the continuing transformation of its business model towards – leveraging on new digitized processes that will drastically streamline operational efficiency through a drastic upscaling of processing capacity and the automation of administrative and back office processes that will one that will enable a new paradigm in profitable social enterprise while paving the way for a medium term eradication of the company's accumulated losses and a full return to profits by 2021.

Human capital

Throughout its history, MFPLC's team of employees have remained one of its more crucial assets. Empowered by the strategic vision and guidance of its Chairman, CEO, Board of Directors and senior management MFPLC aims to capitalize on growth opportunities by leveraging on the power of its people.

The year under review was characterized by increased foreign exchange outflows, particularly due to higher import expenditure and capital outflows Gross official reserves, which reached the historically highest level of US\$ 9.9 billion in April 2018, were placed under notable pressure in that regard. A rising import bill combined with foreign debt-service payments resulted in gross official reserves lowering to US\$ 6.9 billion – amounting to import cover of 3.7 months – by the end of 2018, before recording significant improvements upon the issuance of new International Sovereign Bonds at the conclusion of the financial year in review.



Get together - Peduru Paatiya



Get together - Peduru Paatiya

Management Discussion and Analysis



Stage Drama - Organized by welfare and Sports Club



Stage Drama - Organized by welfare and Sports Club

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.

Sustainability

Over the past year, Multi Finance PLC has undergone a realignment 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

NBFI sector's profit after tax (PAT) posted a notable 17.2% YoY reduction down to Rs. 21.4 billion in 2018, while ROA declined by 51 basis points and ROE declined by nearly 400 basis points to record ratios of 2.7% and 12.1% respectively.

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 channelled 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.

It was in that context that MFPLC commenced visionary Each One Plant One campaign was launched on World Forest Day, on the 21st of March 2018, commencing with the planting of 1,000 saplings Karanda and Kohomba along the Southern Expressway as part of its preliminary phase.

During the year in review the project was further expanded into Phase II, which was marked with the successful reforestation of 7 acres of land Ilukpathakanda, Kalawana area, Ratnapura District with the planting of 3,500

While the company continued to deal with legacy challenges stemming from the exit of its former parent company, the overall strength of the organization continued to improve under the ownership of its new parent

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; while simultaneously mitigating the risks of landslides and rehabilitating degraded ecosystem in the region.

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.

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.



Each One Plant One - Planting of 3,500 native Saplings, Iukpathakanda, Kalawana area, Ratnapura District



Each One Plant One - Planting of 3,500 native Saplings, Iukpathakanda, Kalawana area, Ratnapura District

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.

Management Discussion and Analysis



Ice Cream Dansela - Colombo Branch at Borella



Ice Cream Dansela - Colombo Branch at Borella

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 21 to 24 of this Report.

Composition and Independence

The Board comprised of 07 members during the period under review, two (02) 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 62 to 64.

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 2019, fourteen (14) meetings of the Board were held. Out of which two special Board meetings were held as follows during the financial year.

- 15th May 2018
- 13th March 2019

Corporate Governance

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	14	13	93
2 Mrs. C J Atapattu	14	13	93
3 Mr. Pushpike Jayasundera	14	14	100
4 Mr. Imal Fonseka	14	12	86
5 Mr. Shelton Peiris [Resigned w.e.f. 30th September 2018]	07	03	43
6 Mr. Lakshaman Wanniarachchi	14	13	93
7 Mr. Palitha Abeysekara	14	13	93
8 Dr. Ravi Fernando [Has tendered his resignation in February 2019]	14	08	57

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 57 to 61 in this Report.

Compliance Officer

The Senior Manager Fund Mobilization functions 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.

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
2. The Responsibilities of the Board of Directors		
Strengthening the safety and soundness of the Finance Company	2 (1) (a)	Complied with The Board is responsible for formulating strategy, ensuring the adequacy of the risk management processes, review of the internal control system and defining the responsibilities of Corporate Management.
	2 (1) (b)	Partially Complied with The Company does not have a documented Risk Policy. However, the Board sets and oversees the vision, mission, strategic objectives and corporate values of the company and these are regularly communicated to all levels of the company.
	2 (1) (c)	Complied with A strategic plan covering the overall risk parameters has been set up with regular reviews in place through Assets and Liabilities Committee [ALCO] and Integrated Risk Management Committee [IRMC].
	2 (1) (d)	Partially Complied with There is no formal documented policy for communication with stakeholders. However matters are communicated to stakeholders in the normal course of business as and when required and at the AGM.
	2 (1) (e)	Complied with Audit Committee with the assistance of internal audit will review the adequacy and integrity of internal controls of the company.
	2 (1) (f)	Complied with Identification and designation of Key Management Personnel is in place and periodically reviewed by the Board.
	2 (1) (g)	Complied with The Board comprises of 2 Executive Directors who have specific areas of responsibility. In addition, Non-executive Directors have specific areas of responsibility through the various Sub-committees of the Board. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs.
	2 (1) (h)	Complied with The Company does not have a documented procedure manual highlighting how the board would monitor the affairs of the finance Company. However, the Subcommittees to the Board reviews the affairs of the company and keeps the Board updated on the affairs of the Company. Where required members of the management are required to provide explanations.

Corporate Governance

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (1) (i)	Complied with The Company does not have a documented procedure highlighting the key steps the Board should follow in assessing the effectiveness of the governance practices of the board. However the Board ensures that the effectiveness of Governance practices is periodically assessed. Compliance Officer ensures the due compliance with the regulations.
	2 (1) (j)	Complied with A documented Succession Plan is in place for all Key Management positions and are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.
	2 (1) (k)	Complied with Monthly Board meetings are held and all Key Management Personnel (KMPs) are required to participate in such meetings. Business plans and objectives are discussed at these meetings
	2 (1) (l)	Complied with Compliance Officer regularly updates the Board on the regulatory environment.
	2 (1) (m)	Complied with With the approval of the Audit Committee, due diligence will be carried out by external auditors.
Chairman & CEO	2 (2)	Complied with The Board has appointed the Chairman and CEO and the roles of the Chairman and the CEO are separate.
Independent advice	2 (3)	Partially Complied with Directors are permitted to seek independent advice when necessary. However, no formal documented procedure is available highlighting this fact.
Conflict of interests	2 (4)	Complied with Procedures are in place to ensure that conflicts and potential conflict of interests are properly disclosed with the Board.
Formal schedule of matters to the Board	2 (5)	Complied with The Board has a formal schedule of matters specifically reserved for it and the authorities and responsibilities of the Board are documented in the terms and references of the Board.
Situation of Insolvency	2 (6)	This situation has not arisen during the year.
Corporate Governance Report	2 (7)	Complied with This report addresses the requirement.
Self-assessment by Directors	2 (8)	Complied with
3. Meetings of the Board		
Board Meetings	3(1)	Complied with The Board met 14 times during the year at approximately monthly intervals. With 02 Special Board meetings and 12 regular Board meetings.
Inclusion of proposals by all Directors in the agenda	3 (2)	Complied with Proposals from all Directors on promotion of business and management of risk are included in the agenda for regular meetings as and when they arise.
Notice of meetings	3 (3)	Complied with Directors are given notice for Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Non-attendance of Directors	3 [4]	Complied with All the existing Directors have attended for at least 2/3 of the board meetings held including special meetings. Mr. Ravi Fernando has not met the 2/3 requirements. He also has not attended 3 consecutive meetings. However, Dr.Ravi Fernando tendered resignation in February 2019.
Board Secretary	3 [5]	Complied with The Board has appointed a Board Secretary to handle the secretarial services to the Board and to carry out other functions required by statutes.
Agenda for Board Meetings	3 [6]	Complied with The Board Secretary prepares the Agenda, a function of which has been delegated by the Chairman.
Access to the Board Secretary	3 [7]	Complied with Service of the Board Secretary is available for all Directors in discharging their duties to the Company.
Minutes of the Meetings	3 [8]	Complied with The Company Secretary records the minutes of the Board Meetings and the Directors have full access to the Minutes of the Board Meetings which are circulated to all Board Directors.
Details of Minutes	3 [9] a to 3 [9] f	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary.
4. Composition of the Board		
Number of Directors	4[1]	Complied with The Board comprised of 07 Directors during the year as at 31st March 2019. However, Dr.Ravi Fernando tendered resignation in February 2019.
Period of service of Non-Executive Directors	4 [2]	Complied with Non-Executive Directors serving on the Board have not served on the Board for more than 9 years.
Appointment of an employee as a Director	4 [3]	Complied with CEO was appointed to the Board w.e.f. 09th September 2016. Mrs. Champika Atapattu was appointed to the Board w.e.f. 01st August 2002. Board consists of seven members of whom two of them are Executive Directors. Accordingly the number of Executive Directors does not exceed one – half of Directors of the Board.
Independent Non-Executive Directors	4 [4]	Complied with The Board reviews the Independence of Non-Executive Directors on a regular basis. Board comprised of three Independent Non-Executive Directors.[Mr. Shelton Peiris Resigned w.e.f. 30th September 2018]
Alternate Director	4 [5]	This situation has not arisen during the year.
Credibility, skills & experience of Non-Executive Directors	4 [6]	Complied with Profiles of the Directors are given on pages 21 to 24.
Board Meetings without half the quorum of Non-Executive Directors	4 [7]	Complied with Articles of the Company provides for same.
Details of Directors	4 [8]	Partially Complied with All important corporate communications include the names of the non-executive directors. The Composition of the Board has been disclosed in pages 21 to 24 of the Annual Report.

Corporate Governance

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Appointment of new Directors	4 [9]	Complied with The Company does not have a nomination committee. However, the Board has a formal and transparent procedure in place when appointing Directors to the Board. Nominated individuals are screened in accordance with CBSL and CSE's requirement and submitted for prior approval of the Director – Superintendent of Non Business Financial Institution of CBSL.
Appointment to fill a casual vacancy	4 [10]	Complied with There were no casual vacancies during the year
Resignation/ removal of a Director	4 [11]	Complied with 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.
5. Criteria to assess the Fitness and Propriety of Directors		
Directors over 70 Years of age	5 [1]	Complied with Directors serving on the Board have not reached the age of 70.
Holding of office in more than 20 entities	5 [2]	Complied with As at 31.03.2019 none of the Directors hold Directorships in more than 20 entities.
6. Management Function delegated by the Board		
Delegation of work to the management	6 [1]	Complied with The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.
Evaluation of the delegated process	6 [2]	Complied with Delegation process is reviewed by the Board based on business requirements.
7. The Chairman and the Chief Executive Officer		
Division of responsibilities of the Chairman & CEO	7 [1]	Complied with The roles of the Chairman and the Chief Executive Officer are separate and performed by two different individuals.
Chairman preferably be an Independent Director and if not appoint a Senior Director	7 [2]	Complied with The Chairman is an Independent Non-Executive Director.
Relationship between Chairman and CEO & other Directors	7 [3]	Complied with 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]	Complied with
Role of the CEO	7 [11]	Complied with The CEO performs as apex Executive-in-Charge of the day-to-day management of company's operations and business.
8. Board Appointed Sub-Committees		
Board Appointed Sub-committees	8 [1]	Complied with There are 04 Board appointed Sub-committees namely Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee. Minutes of the Sub-committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions are circulated to the Board members.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance															
Audit Committee	8 [2]	<p>8 [2] (a) Not-Complied with With the resignation of the Audit Committee Chairman Mr. Shelton Peiris, and pending appointment of an Independent Director with required qualification as the Chairman.</p> <p>8 [2] (b) to 8 [2] (f) Complied with</p> <p>8 [2] (g) Not- Complied with</p> <p>8 [2] (h) Complied with</p> <p>8 [2] (i) Not - Complied with</p> <p>8 [2] (k) and (l) Complied with</p> <p>8 [2] (m) Not- Complied with</p> <p>8 [2] (n) Complied with</p> <p>8 [2] (o) Not- Complied with</p> <p>8 [2] (p) and (q) Complied with</p> <p>8 [2] (r) Partially Complied with [The company does not have a formal whistle blowing policy but have a system to report any concerns]</p>															
Integrated Risk Management Committee	8 [3]	<p>Complied with</p> <p>The discussions and conclusions reached at such meetings are circulated to the Board of Directors at the very next monthly Board Meeting.</p> <p>8[3] (a) to 8[3] (h) Complied with</p>															
9. Related Party Transactions																	
Avoiding conflict of interests in related party transactions and favorable treatment	9 [2] to 9 [4]	<p>Complied with</p> <p>The Board has taken necessary steps to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard 24 [LKAS 24] on "Related Party Transactions". The Board also ensures that no related party benefits from favorable treatment</p>															
10. Disclosures																	
Financial reporting, statutory and regulatory reporting	10 [1]	<p>Complied with</p> <p>The financial statements for the year ended 31st March 2019 and the bi-annual financial statements are in conformity with all rules and regulatory requirements and applicable accounting standards.</p>															
Minimum disclosure in the Annual Report	10 [2]	<p>Complied with</p> <p>All necessary disclosures have been included in the Annual Report 2018/19.</p>															
Total net accommodation outstanding and the net accommodation outstanding in respect of each category of related parties as a percentage of the capital funds.	10 [2] f	<table> <tr> <th>Category of related party transactions</th><th>Outstanding as at 31.03.2019 (Rs.)</th><th>Percentage of Capital Funds</th></tr> <tr> <td colspan="3">Parent Company</td></tr> <tr> <td>Fairway Holdings [Pvt] Ltd</td><td>7,298,688</td><td>1.02%</td></tr> <tr> <td colspan="3">Entities having Common Directors</td></tr> <tr> <td>Gowers Solutions [Pvt] Ltd</td><td>726,187</td><td>0.10%</td></tr> </table>	Category of related party transactions	Outstanding as at 31.03.2019 (Rs.)	Percentage of Capital Funds	Parent Company			Fairway Holdings [Pvt] Ltd	7,298,688	1.02%	Entities having Common Directors			Gowers Solutions [Pvt] Ltd	726,187	0.10%
Category of related party transactions	Outstanding as at 31.03.2019 (Rs.)	Percentage of Capital Funds															
Parent Company																	
Fairway Holdings [Pvt] Ltd	7,298,688	1.02%															
Entities having Common Directors																	
Gowers Solutions [Pvt] Ltd	726,187	0.10%															
11. Transitional Provisions																	
The external auditor's certification on effectiveness of internal control system	11	<p>Not Complied with</p> <p>Multi Finance PLC is in the process of getting external auditors certification on effectiveness of internal control system.</p>															

Corporate Governance

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

Section	Rule No.	Requirement	Compliance Status	Details
Non Executive Directors	7.10.1 [a]	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied with	Five Directors on the 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	Complied with	There are no new appointments.
	7.10.1 [c]	Any change occurring to this ratio shall be rectified within ninety [90] days from the date of the change.	Not Applicable	-
Independent Directors	7.10.2 [a]	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Not Complied with	The Board comprises of one independent Non-Executive Director as at 31st March 2019 as Dr. Ravi Fernando tendered resignation in February 2019]
	7.10.2 [b]	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	Complied with	The Non-Executive Directors have submitted the required declarations.
Disclosures relating to Directors	7.10.3 [a]	Names of independent Directors should be disclosed in the Annual Report	Complied with	The company's Independent Non-Executive Directors are → Mr.E.K.I.De Zoysa → Dr.Ravi Fernando [Has tendered resignation in February 2019] → Mr. Shelton Peiris [Resigned w.e.f. 30th September 2018]
	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	Not Applicable	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	Complied with	Please refer Profiles of Directors
	7.10.3 [d]	Provide a brief resume of any new Director appointed to the Board	Complied with	For this period there are no new appointments
Criteria for defining 'independence'	7.10.4 [a-h]	Requirements for meeting criteria to be Independent	Complied with	
Remuneration committee	7.10.5	A listed company shall have a Remuneration Committee	Complied with	Please refer the Report of the Remuneration Committee

Section	Rule No.	Requirement	Compliance Status	Details
	7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Not Complied with	The Remuneration Committee comprises of one Independent Non-Executive Director instead of two.
		One Non-Executive Director shall be appointed as Chairman of the committee by the Board	Complied with	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.	Complied with	Please refer the Report of the Remuneration Committee
	7.10.5 (c)	The annual report shall set out: → The names of the Directors that comprise the Remuneration Committee → A statement of remuneration policy → Aggregate remuneration paid to Executive and Non-Executive Directors	Complied with	Please refer the Report of the Remuneration Committee.
Audit Committee	7.10.6	A listed company shall have an Audit Committee	Complied with	Refer page 60.
	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.	Not Complied with	Currently there is only one Independent Non-Executive Director, consequent to the Resignation of Mr. Shelton Peiris w.e.f. 30th September 2018 and Dr. Ravi Fernando tendered resignation in February 2019
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Not Complied with	Pending appointment of an Independent Director with required qualification as the Chairman
		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	

Corporate Governance

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

Section 1 – THE COMPANY

Corporate Governance Principle	Reference to Code	Degree of Compliance
A. DIRECTORS		
A.1 The Board		
The Company is headed by an effective Board which comprises of professionals with having required professional competence, skills and experience to lead and control the Company. The Board gives leadership in setting the strategic direction and implement sound control environment for the successful functioning of the Company		
Board Meetings	A.1.1	Complied with During the year, the Board met 14 times. With 02 Special Board meetings and 12 regular Board meetings.
Role of the Board	A.1.2	Complied with The Board engages in providing direction in formulating a sound business strategy and closely monitors the implementation of the strategy effectively
Compliance with laws & seeking Independent Professional Advice	A.1.3	Complied with The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense.
Access to advice & services of the Company Secretary	A.1.4	Complied with All Directors have access to the advice & services of the Company Secretary & the appointment/removal of the Company Secretary should be by resolution involving the whole Board.
Independent Judgment of Directors	A.1.5	Complied with All Directors exercise independent judgment on issues of strategy, performance, resources and standard of business conduct.
Dedication of adequate time & effort by the Directors	A.1.6	Complied with All Directors dedicate their time and effort to ensure their duties towards the Board & the Company are satisfactorily discharged. In addition, Directors function as members of one or more sub-committees & ensure that adequate time & effort is allocated to discharge their duties towards the Board Sub-Committees.
Training for new & existing Directors	A.1.8	Complied with Every Director is provided adequate training when appointed to the Board. The Directors are constantly updated on the latest trends and issues facing the Company and the industry in general.
A.2 Chairman & the Chief Executive Officer		
There should be a clear division of responsibilities at the head of the Company which will ensure balance of power and authority so that no one individual has unfettered powers of decision. The Chairman as well as the CEO have a clear distinction of responsibilities and balance in power and authority.		
Separation of the roles of Chairman & CEO	A.2.1	Complied with

Corporate Governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
A.3 Chairman's Role The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board.		
Role of the Chairman	A.3.1	Complied with. The Chairman conducts Board proceedings in a proper manner and ensures that effective participation of both Executive and Non-Executive Directors is secured and the balance of power between Executive and Non-Executive Directors is maintained.
A.4 Financial Acumen The Code requires that the Board should be comprised of members with sufficient financial acumen and knowledge to offer guidance on financial matters.		
Financial Acumen & Knowledge	A.4.1	Complied with. The Board comprises of members with academic & professional qualifications in Accounting, Business Finance & Management. Please refer Profiles of the Directors.
A.5 Board Balance The Code requires the Board to maintain a balance between Executive Directors and Non-Executive Directors (NEDs) so that, no individual or small group can dominate the Board's decision making.		
Presence of a Strong Team of NEDs	A.5.1	Complied with. The Board comprised of five non-executive Directors as at 31st March 2019, two of whom were Independent.
Independence of NEDs	A.5.2 & A.5.3	A.5.2 Partially Complied with. The following 3 NEDs are Independent Directors 1. Mr.E.K.I De Zoysa 2. Dr. Ravi Fernando[Has tendered resignation in February 2019] 3. Mr. Shelton Peiris [Resigned w.e.f. 30th September 2018] A.5.3 Complied with
Annual Declaration by NEDs on Independence	A.5.4	Complied with. All Independent Directors above have submitted their written declarations with regard to their independence as required by the Code.
Annual Determination by the Board on Independence of NEDs	A.5.5	Complied with. The Board has determined the independence of the NEDs based on the written declarations submitted.
Appointment of an Alternate Director	A.5.6	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	Complied with. The Chairman holds a meeting once a year with Non-Executive Directors.
Recording in Board Minutes concerns which cannot be unanimously resolved	A.5.10	Complied with. Concerns of the Directors which cannot be unanimously resolved if any, are recorded with adequate details. All minutes are circulated to the members of the Board & formally approved at the subsequent meeting.

Corporate Governance Principle	Reference to Code	Degree of Compliance
A.6 Supply of Information The Code requires the Management to provide timely information in a form and of a quality appropriate to enable the Board members to discharge their duties.		
Obligation of the Management to provide appropriate & timely information to the Board	A.6.1	Complied with.
Adequate Notice for Board Meetings	A.6.2	Complied with.
A.7 Appointments to the Board The Code requires the Company to have formal & transparent procedure to appoint new Directors to the Board.		
Presence of a Nomination Committee & Annual Assessment of composition of the Board	A.7.1 & A.7.2	Not Complied with.
Disclosure requirements when new appointments are made to the Board	A.7.3	Complied with.
A.8 Re-Election The Code requires all Directors to submit themselves for re-election at regular intervals and at least once in every 3 years.		
Re-election of NEDs	A.8.1	Complied with.
Appointment of Chairman & Directors subject to election by shareholders at the first opportunity	A.8.2	Complied with.
A.9 Appraisal of Board Performance Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
Appraisal of Board performance	A.9.1	Complied with.
Annual self-evaluation by the Board	A.9.2	Complied with.
Disclosure of criteria for performance evaluation	A.9.3	Complied with.
A.10 Disclosure of Information in respect of Directors Shareholders should be kept advised of relevant details in respect of directors.		
Disclosure of Information on the Directors in the Annual Report	A.10.1	Complied with. Brief Profiles of the Directors with expertise & experience, other business interests, Remuneration & status of independence are disclosed in this Annual Report.
A.11 Appraisal of the Chief Executive Officer (CEO) The Code requires that the Board should assess the performance of the CEO at least annually.		
Setting Annual Targets & Appraisal of Performance of the CEO	A.11.1 & A.11.2	Complied with. At the end of the year, the Board evaluates the performance of the CEO and ascertains if the agreed objectives have been achieved.

Corporate Governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
B. DIRECTOR'S REMUNERATION		
B.1 Remuneration Procedure		
The Code requires that the Company should establish a formal & transparent procedure for developing an effective remuneration policy for both Executive Directors & NEDs where no Director is involved in deciding his/her own remuneration to avoid conflicts of interests.		
Establishment of a Remuneration Committee	B.1.1	Complied with. A Remuneration Committee has been appointed and functions within agreed terms of reference. Refer Report of the Remuneration Committee.
Composition of the Remuneration Committee	B.1.2 B.1.3	Complied with Not complied with Chairman is an Independent Non-Executive Director. There is only one Independent Director, due to Dr. Ravi Fernando tendering resignation in February 2019 Complied with. Refer Report of the Remuneration Committee.
Determination of Remuneration of the NEDs	B.1.4	Complied with. The NEDs receive a fee for being a director of the Board.
Ability to consult the Chairman and/or CEO and to seek professional advice by the Committee	B.1.5	Complied with.
B.2 Level & Make-Up of Remuneration		
Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the 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	Complied with. Executive Directors do not set their own remuneration.
Competitiveness of levels of Remuneration	B.2.2	Complied with. When positioning remuneration levels relative to other companies in the industry, due care is taken to ensure that remuneration is commensurate with the comparative performance/scale of other companies in the industry.
Annual Revisions in Remuneration & Comparison with other Group Companies	B.2.3	Complied with. The Remuneration Committee reviews the annual increments provided to Companies within the Group, when deciding on increments for staff.
Performance based Remuneration for Executive Directors	B.2.4	Not applicable
Executive Share Options	B.2.5	Not applicable
Designing schemes of Performance related Remuneration	B.2.6	Complied with. Performance related Remuneration Schemes are approved by the Remuneration Committee.
Early Termination of Executive Directors	B.2.7 & B.2.8	Not applicable. Terminations of Executive Directors, CEO & Chief Operating Officer are governed by their contracts of service/employment.
Levels of Remuneration of NEDs	B.2.9	Complied with. NEDs are remunerated in line with market practices.

Corporate Governance Principle	Reference to Code	Degree of Compliance
B.3 Disclosure of Remuneration The Company's Annual Report should contain a statement of Remuneration Policy and details of remuneration of the Board as whole.		
Disclosure of Remuneration	B.3.1	Complied with. Refer the Report of the Remuneration Committee for the Remuneration Policy and details of the Remuneration Committee. Aggregate remuneration paid to the Directors is disclosed in the Financial Statements.
C. RELATIONS WITH SHAREHOLDERS C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings The Code requires that the Board uses the AGM to communicate with shareholders and encourage their participation. The Board should encourage all shareholders to attend and actively participate at the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the CEO and the Chairmen of Board Sub-Committees should be present at the AGM to answer any queries.		
Use of proxy votes	C.1.1	Complied with. As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution.
Separate resolutions for separate issues	C.1.2	Complied with. Separate resolutions are placed before shareholders for business transactions at the AGM.
Availability of Chairmen of Board Committees	C.1.3	Complied with. Chairman of the Company ensures that all Sub-Committee Chairman are present at the AGM to answer any queries.
Adequate Notice of AGM to the Shareholders together with the summary of the Procedure	C.1.4 & C.1.5	Complied with. Adequate notice is given to the shareholders for the AGM & a summary of the procedures governing voting at the AGM is provided in the proxy form.
C.2 Communication with Shareholders The Board should implement effective communication with Shareholders.		
Channel to reach all shareholders to disseminate timely information	C.2.1	Complied with. Primary modes of communication with shareholders are the Annual Report & AGM. The following channels were also used; → Financial and other notices as and when required → Through the Colombo Stock Exchange → Corporate website → Press notices
Policy and Methodology of Communication & Implementation	C.2.2 & C.2.3	Complied with. Refer Section C.2.1 above.
Contact Person	C.2.4	Complied with.
Awareness of Directors on major issues and concerns of Shareholders	C.2.5	Complied with. A process has been adopted to ensure that all Directors are aware of the major issues and concerns raised by Shareholders.
Contact Person for Shareholders	C.2.6	The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary.
Process for responding to Shareholders	C.2.7	All shareholder correspondence is via Company Secretarial Division.

Corporate Governance

Corporate Governance Principle	Reference to Code	Degree of Compliance
C.3 Major and Material Transactions The Code requires the Directors to disclose to all shareholders all proposed material transactions which would materially alter the net asset position of the Company.		
Major Transactions	C.3.1	Complied with.
D. ACCOUNTABILITY AND AUDIT D.1 Financial Reporting The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
Board's responsibility for Statutory & Regulatory reporting	D.1.1	Complied with. The interim accounts and annual financial statements were published on a timely basis during the year. Regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange [CSE] on a timely basis during the year.
Declarations by Directors in the Director's Report	D.1.2	Complied with. Refer Annual Report of the Board of Directors on pages 62 to 64.
Statements by Directors & Auditors on Responsibility for Financial Reporting	D.1.3	Complied with. Refer the Statement of Directors' Responsibility and Report of the Independent Auditors on pages 67 and 71.
Management Discussion and Analysis	D.1.4	Complied with. Refer Management Discussion and Analysis. on pages 29 to 38.
Declaration by Directors on the Going Concern of the Business	D.1.5	Complied with. Refer Annual Report of the Board of Directors on pages 62 to 64.
Serious Loss of Capital	D.1.6	Situation has not arisen.
Disclosure of Related Party Transactions	D.1.7	Complied with. Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the Company during the year.
D.2 Internal Control The Board has overall responsibility for the system of internal controls to safeguard shareholder's investments and the Company's assets and has delegated certain of these responsibilities to the Board appointed Audit Committee [AC].		
Evaluation of internal controls by the Board	D.2.1	Complied with. In order to ensure that a sound system of internal controls is maintained, the AC ensures that an internal audit programme [which is adequate in terms of coverage and scope] is prepared on an annual basis.
Internal Audit function	D.2.2	Complied with. The internal audit function has been outsourced to a leading firm of Chartered Accountants namely PWC. The Board believes that this provides greater access to global best practices and independence from management. The internal auditors may also carry out any additional tasks they deem necessary to effectively discharge their duties.

Corporate Governance Principle	Reference to Code	Degree of Compliance
D.3 Audit Committee The Board has delegated its responsibility with regard to financial reporting, internal controls and maintaining an appropriate relationship with the Company's Auditors to the AC. Accounting policies are agreed with auditors and the AC and are applied on a consistent basis.		
Composition of the Audit Committee	D.3.1	Not - Complied with. There are 03 Non-Executive Directors out of which one is independent. Pending Appointment of chairman, with the CBSL approval of an Independent Director to the Board.
Duties of the Committee	D.3.2	Complied with. As per its charter, the AC is responsible for reviewing the scope and results of the audit and its effectiveness.
Terms of Reference for Audit Committee	D.3.3	Complied with. The AC operates within clearly defined Terms of Reference which have been approved by the Board.
Disclosure of Names of Members of the Audit Committee	D.3.4	Complied with. The details and composition of the AC are provided in the Report of the Audit Committee.
D.4 Code of Business Conduct and Ethics The Code requires the Company to adopt an Internal Code of Conduct & Ethics to be followed by all Directors and Key Management Personnel.		
Code of Business Conduct and Ethics	D.4.1	Complied with. The Company has issued a Code of Conduct to all Directors, Senior Management and all employees are required to adhere to same.
Affirmation from the Chairman	D.4.2	Complied with. The Chairman is not aware of any violation of the Company's Code of Ethics.
D.5 Corporate Governance Disclosures The Company is fully compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC 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	Complied with. This requirement is met through the presentation of this report.

Corporate Governance

Section II – SHAREHOLDERS

Corporate Governance Principle	Reference to Code	Degree of Compliance
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder Voting		
The Code requires institutional shareholders to make considered use of their votes and encourage to ensure that their voting intentions are translated into practice.		
Regular and structured dialogue with Shareholders	E.1.1	Complied with. The AGM is used as a forum to have a structured, objective dialogue with Shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.
E.2 Evaluation of Governance Disclosures		
The Code requires the Company to encourage Institutional investors to give due weight to all relevant factors drawn to their attention.		
Due weight by Institutional Investors	E.2.1	Complied with. The Institutional Investors are at liberty to give due weight to the matters related to the Board structure & composition, when they consider resolutions related to same.
F. OTHER INVESTORS		
F.1 Investing/Divesting Decisions		
The Code requires the Company to encourage other investors to seek independent advice in making investing or divesting decisions.		
Seek independent advice in investing or divesting decisions	F.1.1	Complied with. Individual shareholders are encouraged and has the liberty to carry out independent analysis & research and seek independent advice prior to making investing or divesting decisions.
F.2 Shareholder Voting		
The Code requires the Company to encourage individual shareholders to participate at shareholder meetings & exercise their voting rights.		
Encourage voting by Individual Shareholders	F.2.1	Complied with. All shareholders are encouraged to participate at General Meetings and cast their votes & 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 - Chairman
[Resigned w.e.f. 30th September 2018]
2. Mr. Imal Fonseka - Chairman
[Appointed w.e.f.27th February 2019]
3. Mr. Pushpika Jayasundera - Member
4. Mrs. Champika Atapattu - Member
5. Mr. Asanka Melroy Galbadaarachchi - Senior Finance Manager (Invitee)

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

3. Review compliance of the Company with all regulatory guidelines

Committee Evaluation

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

Meetings

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

Name of Directors	Attendance
1. Mr. Shelton Peiris [Chairman] [Resigned w.e.f. 30th September 2018]	1/4
2. Mr. Imal Fonseka [Chairman] [Appointed w.e.f.27th February 2019]	0/4
3. Mr. Pushpika Jayasundera	4 /4
4. Mrs.Champika Atapattu	4/4



Mr. Imal Fonseka
Chairman

Integrated Risk Management Committee

01st July 2019

Report of the Remuneration Committee

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

1. Mr. Kuvera de Zoysa (Chairman)
Independent, Non-Executive
Director
2. Mr. Imal Fonseka
Non Independent, Non-Executive
Director
3. Dr. Ravi Fernando
Independent, Non-Executive
Director

Duties and Responsibilities

The Committee was established for the purpose of recommending the remuneration of the Board of Directors including the 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 offer rewards for their performance commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long term shareholder return.

Attendance and seeking Professional Advice

1. The Chief Executive and other relevant Executive Directors shall be invited to attend meetings and shall be consulted on the performance and remuneration of Executive Directors and make proposals as necessary.

2. The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when considered necessary.

Frequency of Meetings

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

Name of Directors	Attendance
Mr. Kuvera de Zoysa [Chairman]	1/1
Mr. Imal Fonseka	1/1
Dr. Ravi Fernando	0/1

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



Mr. E.K.I. De Zoysa
Chairman
Remuneration Committee

01st July 2019

Related Party Transactions Review Committee [RPTRC]

Objective of the Committee

The Committee reviews all related party transactions of Multi Finance PLC to ensure that the Company complies with the Rules set out under Section 9 of the Listing Rules of the Colombo Stock Exchange, the proceedings of which are reported regularly to the Board.

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

1. Mr. E.K.I. De Zoysa - Chairman
[Independent, Non- Executive Director]
2. Mr. Shelton Peiris - Member
[Independent, Non- Executive Director]
[Resigned w.e.f. 30th September 2018]
3. Mrs. Champika Attapattu - Member
[Executive Director]
4. Dr. Ravi Fernando - Member
[Independent, Non- Executive Director]

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

Duties and Responsibilities

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

Related Party Transactions/Disclosures during the year

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

Review Procedure of the Committee

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

Frequency of Meetings

The Committee met twice during the period with a third adopted by circular resolution.

Declaration

The Declaration by the Board of Directors on the compliance with the Listing Rules of the Company on Related Party Transactions is contained on page 63 of the Annual Report in the Annual Report of the Board of Directors on the Affairs of the Company.

On behalf of the Committee,



Mr. E.K.I. De Zoysa
Chairman

Related Party Transactions Review Committee

01st July 2019

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 current Audit Committee comprises of Three Non-Executive Directors.

The Audit Committee comprised of the following members;

- Mr. Shelton Peiris
Independent, Non-Executive Director
[Resigned w.e.f. 28th September 2018]
- Dr. Ravindra Ajith Fernando
Independent, Non-Executive Director
[Resigned from the Audit Committee w.e.f. 13th August 2018]
- Mr. E.K.I. De Zoysa
Independent, Non-Executive Director
- Mr. Imal Fonseka
Non Independent, Non Executive Director
- Mr. Palitha Abeysekara
Non Independent, Non Executive Director

Functions

The duties of the Audit Committee include keeping under review the scope and results of the audit, its effectiveness, independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee shall

keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money.

Authority, Duties and Responsibilities

1. Assists 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. Ensures that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
4. Assesses the Company's ability to continue as a going concern in the foreseeable future.
5. Assesses the independence and performance of the Company's external auditors.
6. Makes recommendations to the Board, pertaining to appointments, re-appointment and removal of External Auditors and approves the remuneration and terms of engagement of the External Auditors;
7. Discusses the audit plan, key audit issues and their resolution, management responses and the proposed remuneration of the Auditors.
8. Discusses the Company's annual audited financial statements and quarterly financial statements with the management and the Auditors.
9. Discusses the Company's earnings, press releases and financial information and earnings guidance provided to Analysts and Rating Agencies.

10. Discusses policies and practices with respect to risk assessment and risk management.
11. Ensures that a process of sound system of internal control is in place.
12. Ensures that an effective internal audit function is in place.
13. Meets separately, periodically, with Management, Internal Auditors and External Auditors.
14. Establishes mechanisms for the confidential receipt, retention and treatment of complaints alleging fraud received from internal/external sources and pertaining to accounting, internal controls or other such matters.
15. Assures confidentiality to whistle blowing employees and formulation of proper 'Whistle-Blowing' Policy.
16. Presents reports to the Board on identified related parties and related party transactions on a regular basis.
17. Sets clear hiring policies for employees or former employees of the Auditors
18. Reports regularly to the Board of Directors.

Financial Reporting System

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

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

Meetings

The Committee met two (02) times during the period under review. The Chief Executive Officer and Senior Finance Manager attend the meetings by invitation. The attendance at the meetings were;

Name of Members	Audit Committee Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance %
Mr. Shelton Peiris [Resigned w.e.f.30.09.2018]	02	01	50
Dr. Ravi Fernando	02	01	50
Mr. E.K.I. De Zoysa [Appointed to Audit Committee w.e.f. 08.01.2019]	02	Nil	Nil
Mr. Imal Fonseka [Appointed to Audit Committee w.e.f. 08.01.2019]	02	01	50
Mr. Palitha Abeysekera [Appointed to Audit Committee w.e.f. 08.01.2019]	02	01	50

The Committee carried out the following activities;

Financial Reporting

The Audit Committee reviews and discusses 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 rationalizing the usage of audit resources.

During the year, audit reports were received by the Committee from the Internal Auditors covering audits and investigations which were reviewed and discussed with the management and the Internal Auditors. The recommendations of the Internal Auditors 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.

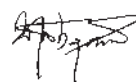
External Audit

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 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 mis-statements.



Mr. E.K.I. De Zoysa
Chairman
Audit Committee

01st July 2019

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 2019 that includes and covers the Audited Financial Statements, Chairman's Statement, CEO's Review, Governance & Risk Management Report, Committee Reports, Statements of Responsibility and other relevant information, Disclosures required by the Companies Act No.07 of 2007 which form part of this Annual Report of the Board of Directors.

General

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

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

Principal Business Activities

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

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

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

Vision, Mission & Corporate Conduct

The Company's Vision and Mission are available on page 4. The Directors and all employees conduct their activities with the highest level of ethical standards and integrity in achieving the Vision and Mission.

Review of Business Performance

Review of Business Performance and future outlook of the Company is available in the Chairman's Statement in pages 13 to 15 and in Chief Executive Officer's Review in pages 16 to 20.

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 complies with the requirements of the Companies Act No. 07 of 2007. The aforementioned Financial Statements for the year ended 31st March 2019 duly signed by two Directors on behalf of the Board are given on pages 72 to 123 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 69 to 71.

Accounting Policies

The Accounting Policies which are adopted by the Company in the preparation of Financial Statements are given on pages 76 to 95. They are consistent with those of the previous period.

The Board of Directors

As at 31st March 2019, the Board of Directors of the Company consists of seven (07) members. The information of Directors of the Company is available in the Director's Profile in pages 21 to 24.

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
Dr. R.A. Fernando

Non-Independent, Non-Executive Directors

Mr. H.F.I.S. Fonseka
Mr. W.A. Lakshman
Mr. K.D.P.C. Abeysekara

New Appointments and Resignations to the Board

Mr. M. Shelton Peiris resigned from the Board of Multi Finance PLC w.e.f 30th September 2018, There were no appointments during the year.

Retirement by Rotation and Re-Election of Directors

Mr. Imal Fonseka retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible himself for re-election with the support of the continuing Directors.

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

Related Party Transactions

Related party transactions have been declared at a meeting of the Directors and are detailed in Note No. 32 to the financial statements.

As required in terms of Rule 9.3.2 [d] of the Listing Rules of the Colombo Stock Exchange, the Board of Directors confirms that the Company has complied with the rules pertaining to the Related Party Transactions.

Directors' Interest

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

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The Transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note No. 32 to the Financial Statements.

Remuneration and Fees

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

Risk and Internal Control

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

Corporate Governance

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

The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements. The performance of the Company is monitored by way of regular review meetings. These meeting provide an opportunity to ensure that progress is in line with agreed targets. Regular Board meetings are held to further strengthen and review the process and ensure compliance with all statutory and regulatory obligations.

Statutory Payments and Compliance with Laws and Regulations

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

Auditors

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

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

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

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

Independent Auditor's Report

The Independent Auditor's report on the Financial Statements is given on pages 69 to 71 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 57 to 61.

Director's shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2019 are as follows.

	31.03. 2018	31.03.2019
Mr. E.K.I. De Zoysa	Nil	Nil
Ms. C.J. Atapattu	20,575	20,575
Mr.P. Jayasundera	Nil	Nil
Mr. H.F.I.S. Fonseka	Nil	Nil
Mr. M.Shelton Peiris [Resigned w.e.f. 30.09.2018]	Nil	Nil
Mr. K.D.P.C. Abeysekara	Nil	Nil
Mr. W.A. Lakshman	14,391	14,391
Dr .R.A. Fernando	Nil	Nil

Shareholders

There were 828 shareholders registered as at 31st March 2019. The details of the distribution are given on page 124 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 124 to 125 under Investor Information.

Annual Report of the Board of Directors on the Affairs of the Company

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, continuous 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 60 to 61.

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 Managements 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 were due and payable by the Company as at the Balance Sheet date have been paid or where relevant provided for, except for certain assessments where appears to have been lodged.

Going Concern

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

Annual General Meeting

The Annual General Meeting will be held on Friday, 27th September 2019 at 2.30 p.m. at the Lecture Hall 08, Sri Lanka Foundation, No.100, Padanama Mawatha, Independence Square, Colombo 07.

The notice of the Annual General Meeting appears on page 126.

Acknowledgement on the Content of the Report

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



Mr. E.K.I. De Zoysa
Chairman



Pushpike Jayasundera
Director/ CEO



Business Intelligence (Private) Limited
Secretaries

01st July 2019
Colombo

A NEW HORIZON

FINANCIAL STATEMENTS

- 69 Independent Auditor's Report
- 72 Statement of Profit or Loss and Other
Comprehensive Income
- 73 Statement of Financial Position
- 74 Statement of Changes in Equity
- 75 Statement of Cash Flows
- 76 Notes to the Financial Statements



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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2018/2019, 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

01st July 2019

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.

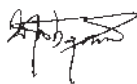
Confirmation

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 Directors are in the process of obtaining a report from the external auditors on the systems of internal control over financial reporting. Any matters addressed by the External Auditors and the outsourced internal auditors will be considered appropriate steps would taken to rectify them in the future.

By Order of the Board,



Mr. E.K.I. De Zoysa
Chairman – Board Audit Committee



Pushpika Jayasundera
Director/ CEO

01st July 2019

Independent Auditor's Report



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

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

To the Shareholders of 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, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information set out on pages 72 to 123.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards [SLAuSs]. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka [Code of Ethics] and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Non-Compliance with Central Bank regulations

We draw attention to Note 39 of the financial statements which indicates that the Company has not complied with the Minimum Core Capital Direction No 02 of 2017 and Finance Companies [Liquid Assets] Direction No 4 of 2013. The Company has incurred continuous losses over the years accumulated as at 31 March 2019 to Rs. 196,777,689. The Company also has negative operating cash flows over the past 3 years. In order to apply the going concern basis of accounting the Company has to satisfy the regulatory requirements with the concurrence of the Central Bank of Sri Lanka. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of lease, hire purchases, advances and other loans and transition impact with the adoption of SLFRS 9 – "Financial Instruments"

As described in Note 3.8 [Accounting policies] and Notes 14, 15 16 and 17, Company has estimated impairment provision for lease, hire purchase, advance and other loans of Rs. 140,324,943 as at 31st March 2019.

Risk Description

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

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

As permitted by the transitional provision of SLFRS 9, the impact of adopting SLFRS 9 is considered as an adjustment to equity as at 1st April 2018 [Day One], without restating the comparative information. The Note 4 to these financial statements provides the impact on transition to SLFRS 9 – "Financial Instruments" on retained earnings as at 1st April 2018.

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

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. Mithulani 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. S.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), LL.B., Attorney-at-Law, H.S. Goonewardene ACA

Independent Auditor's Report

Our Response:

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

- Assessment of the methodology inherent within the process for provisioning for credit losses against the requirements of SLFRS 9;
- Challenging the key assumptions in the determination of credit losses and evaluating the reasonableness of Management's key judgments and estimates including the transition adjustments
- Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and ECL models and assessment of economic information used within, and Weightings applied to forward looking scenarios including the transition adjustments;
- Recalculation of ECL for a sample using the key assumptions used in the models, such as PD and LGD;
- Comparing the economic factors used in the models to market information to assess whether they were aligned with the market and economic development;
- Evaluating management's process for identifying contracts to be assessed based on the selected transition approach and any practical expedients applied;
- Assessing the adequacy of the disclosures in the financial statements in relation to impairment of loans and advance to customers and transitional disclosures with relevant to applicable accounting standards.

2. Accounting for deferred tax assets

As described in Note 3.23 (ii) [Accounting policies] and Notes 27 [Deferred Tax asset] Company has estimated Rs. 57,442,409 as deferred tax assets as at 31st March 2019.

Risk Description

The Company had recognized significant Deferred Tax Assets in respect of deductible temporary difference and accumulated tax losses, which management considered would probably be utilized or recovered in the future through the generation of future taxable profits or set off against deferred tax liabilities.

We identified the recognition of Deferred Tax assets as a key audit matter because of significant management judgement and estimation required in forecasting future taxable profit which could be subject to error or potential management bias.

Our Response:

Our audit Procedures included;

- Assessing and challenging the Company's approach for evaluating the likelihood of the recoverability of Deferred Tax Assets. This included challenging the key assumption in future taxable profit forecasts prepared by the Management.
- Assessing the adequacy of the disclosures in the financial statements.

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 scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by section 163 [2] of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company. However, the Company does not fulfill the requirements of the Minimum Core Capital Direction No 02 of 2017 and Finance Companies (Liquid Assets) Direction No 4 of 2013 as at 31 March 2019 issued by the Central Bank of Sri Lanka.

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



Chartered Accountants
Colombo, Sri Lanka

01 July 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Notes	2019 Rs.	2018 Rs.
Income	5	297,381,813	235,416,652
Interest income	6	271,332,009	204,173,082
Interest expenses	7	(100,065,423)	(64,892,696)
Net interest income		171,266,586	139,280,386
Fee and commission income	8	15,185,357	13,643,421
Other income	9	10,864,447	17,600,149
Net income from operations		197,316,390	170,523,956
Operating expenses			
Personnel cost		(115,395,597)	(84,625,786)
Net impairment of Fair Value Through Other comprehensive income/Available-for-sale financial assets		(32,386)	(165,794)
Depreciation and amortisation charge		(8,814,853)	(3,984,668)
Other operating expenses		(100,476,734)	(63,847,517)
Total operating expenses		(224,719,570)	(152,623,764)
Profit/(Loss) before impairment and taxation		(27,403,180)	17,900,191
Loans and receivable write off		(4,466,128)	-
Impairment (charge)/reversal for Repossessed Stock	19	(7,040,879)	(863,582)
Impairment (charge)/reversal for loan and other advances	14	(31,267,112)	(45,094,473)
Profit/(Loss) before taxation and VAT on Financial Services	10	(70,177,299)	(28,057,864)
Value Added Tax on Financial Services		(8,442,123)	(5,880,379)
Profit/(Loss) before taxation		(78,619,422)	(33,938,242)
Income Tax (Expense)/Reversal	11	15,510,831	16,987,657
Profit/(Loss) for the period		(63,108,592)	(16,950,585)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligation	26	2,414,010	97,172
Tax on actuarial gain		(675,923)	(27,208)
		1,738,087	69,964
Items that are or may be reclassified subsequently to profit or loss			
Reclassification of Fair Value Through Other comprehensive income/ Available for sale reserve to profit/loss		-	(1,807,499)
Net change in fair value of Fair Value Through Other comprehensive income/ Available-for-sale financial assets		(48,887)	73,501
		(48,887)	(1,733,998)
Other comprehensive income for the period, net of tax		1,689,200	(1,664,034)
Total comprehensive income/ (expense) for the period		(61,419,391)	(18,614,619)
Earnings/(Loss) per share (Rs.) (Annualised)	12	(0.99)	(0.27)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 76 to 123 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Notes	2019 Rs.	2018 Rs.
Assets			
Cash and cash equivalents	13	41,943,205	94,163,856
Placements with Banks and other financial institutions		61,460,074	233,069,642
Rental receivable on lease	15	398,694,138	333,913,312
Rental receivable on hire purchase	16	4,445,918	12,643,028
Advances and other loans	17	777,395,971	850,737,233
Other receivables	18	64,071,151	50,523,101
Reposessed Stock	19	15,443,999	668,000
Income tax receivables		4,992,927	4,452,003
Financial Assets Measured at Fair Value Through Other comprehensive income / Financial Investments - Available For Sale	20	8,103,623	8,071,749
Investment Property	21	16,142,750	-
Property, plant & equipment	22	31,827,815	12,426,351
Intangible assets	23	2,606,397	1,417,849
Deferred Tax Asset	27	57,442,409	31,748,786
Total Assets		1,484,570,377	1,633,834,910
Liabilities			
Due to banks and financial institutions	13	48,509,429	75,126,583
Deposits due to customers	24	660,625,887	649,996,600
Other payables	25	52,058,157	97,768,754
Retirement benefit obligation	26	4,891,980	5,137,175
Total Liabilities		766,085,453	828,029,112
Equity			
Stated capital	28	898,375,289	898,375,289
Statutory Reserve Fund	29.1	5,389,222	5,389,222
General Reserve	29.2	11,266,050	11,266,050
Fair Value Reserve/ Available For Sale Reserve	29.3	232,052	280,939
Retained earnings/ (Accumulated Losses)		[196,777,689]	[109,505,702]
Total Equity		718,484,924	805,805,798
Total Liabilities and Equity		1,484,570,377	1,633,834,910
Net Assets Per Share (Rs.)		11.30	12.67

Figures in brackets indicate deductions.

The accounting policies and notes from pages 76 to 123 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

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

Mr. P. Jayasundera
Director/ Chief Executive Officer

Mr. E.K.I. De Zoysa
Chairman - Independent Non Executive Director

01st July 2019
Colombo

Statement of Changes in Equity

	Stated Capital	Statutory Reserve Fund	General Reserve	Fair Value Reserve/ Available For Sale Reserve	Retained Earnings/ [Accumulated Losses]	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2017	898,375,289	5,389,222	11,266,050	2,014,937	(92,625,081)	824,420,417
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)
Balance as at 31st March 2018	898,375,289	5,389,222	11,266,050	280,939	(109,505,702)	805,805,798
Impact of adopting SLFRS 9 as at 1 April 2018 [Note 4.2]					(25,901,482)	(25,901,482)
Balance as at 01st April 2018	898,375,289	5,389,222	11,266,050	280,939	(135,407,184)	779,904,316
Profit/(Loss) for the Period	-	-	-	-	(63,108,592)	(63,108,592)
Other comprehensive income net of tax for the year	-	-	-	(48,887)	1,738,087	1,689,200
Balance as at 31st March 2019	898,375,289	5,389,222	11,266,050	232,052	(196,777,689)	718,484,924

Figures in brackets indicate deductions.

The accounting policies and notes from pages 76 to 123 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March	Notes	2019 Rs.	2018 Rs.
Profit / (Loss) Before Taxation		[78,619,422]	[33,938,242]
Adjustments for :			
Provision for Retirement Benefit Plans		2,301,119	1,536,583
Depreciation on Property, Plant and Equipment		8,077,183	3,401,933
Interest Expenses		100,065,423	64,892,696
Amortisation of Intangible Assets		737,670	582,735
(Profit)/Loss on disposal of Property, Plant & Equipment		[488,828]	[889,672]
Impairment charge/(reversal) for loan and other advances		42,774,119	45,958,055
Profit from Sale of Dealing Securities		[58,242]	[2,320,051]
Provision/(reversal) for diminution in share value		-	[210,498]
(Profit)/Loss on pawning auction		[94,592]	[96,231]
Financial Assets Measured at Fair Value Through Other comprehensive income / Financial Investments - Available For Sale		32,386	165,794
(Profit)/Loss on disposal of Repossessed Stock		2,659,011	373,422
Interest Income on Government Securities		[701,461]	[701,461]
Interest Income on Fixed Deposit Investments		[8,913,011]	[16,652,681]
Interest Income on Reverse Repurchase Agreements		[1,201,948]	[32,707,692]
		66,569,407	29,394,690
Changes in working capital :			
(Increase)/Decrease in Investment in Hirepurchase, Lease and Other Loans		[85,325,471]	[655,404,373]
(Increase)/Decrease in Trade & Other Receivables		[16,018,617]	[21,418,188]
(Increase)/Decrease in Inventories/Repossessed stock		[14,775,999]	[668,000]
Increase/ (Decrease) in Deposits from Customers		10,629,286	281,584,484
Increase/ (Decrease) in Trade & Other Payables		[46,023,467]	53,974,342
Cash generated from Operating Activities		[84,944,860]	[312,537,045]
Income Tax Paid		[296,222]	[787,383]
Gratuity Paid		[132,300]	[577,500]
Interest Paid		[99,752,554]	[64,892,696]
Net cash generated / (used) in Operating Activities		[185,125,936]	[378,794,624]
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment		[27,544,830]	[8,043,436]
Purchase of Intangible Assets		[1,926,218]	[1,331,000]
Proceeds from sale of Property, Plant & Equipment		511,310	1,005,197
Cash Received from Pawning Auction		6,181,240	6,812,753
Proceeds from disposal of investment securities		-	4,690,261
Proceeds from disposal of dealing securities		576,410	-
Interest Receipt on Fixed Deposits		8,913,011	16,652,682
Interest Receipt on Reverse Repurchase Agreements		1,201,948	32,707,692
Net Investment in Fixed deposits		171,609,568	[233,069,642]
Net cash generated from Investing Activities		159,522,439	[180,575,492]
Cash flow from Financing Activities			
Loans repayments during the year		-	[17,455,656]
Net cash generated / (used) in Financing Activities		-	[17,455,656]
Net Increase/(Decrease) in Cash and Cash Equivalents		[25,603,497]	[576,825,773]
Cash & Cash Equivalents at the Beginning of the period		19,037,273	595,863,046
Cash & Cash Equivalents at the end of the period	131	[6,566,224]	19,037,273
Analysis of Cash & Cash Equivalents			
Favourable balance			
Investment in Repurchase Agreements		-	65,500,000
Cash at Bank		35,590,119	21,114,116
Cash in Hand		6,353,086	7,549,740
		41,943,205	94,163,856
Unfavourable balance			
Bank overdrafts		[48,509,429]	[75,126,583]
		[48,509,429]	[75,126,583]
		[6,566,224]	19,037,273

Figures in brackets indicate deductions.

The accounting policies and notes from pages 76 to 123 form an integral part of these financial statements.

Notes to the Financial Statements

1. REPORTING ENTITY

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

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

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

The Staff strength of the Company as at 31 March 2019 was 100 [as at 31 March 2018 was 107]

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

The financial statements for the year ended 31 March 2019 were authorized for issue by the Board of Directors in accordance with the resolution passed on 01st July 2019.

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;

Policy Applicable up to 31st March 2018

- 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.

Policy Applicable from 01st April 2018

- Financial instruments measured at fair value through profit or loss are measured at fair value.
- Financial assets measured at fair value through other comprehensive income measured at fair value.
- Assets held for sale measured at lower of its carrying amount and fair value less costs to sell.
- Defined Benefit Obligation is recognized as the present value of the defined benefit obligation.

This is the first set of the Company's annual financial statements in which SLFRS 9 – "Financial Instruments" and SLFRS 15 – "Revenue from Contracts with Customers" have been applied. Changes to significant accounting policies are described in Note 03.

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 36.

2.6. Materiality and Aggregation

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

2.7. Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

2.8. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the Accounting Policies of the Company.

2.9. Rounding

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

2.10. Comparative Information

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

2.11. 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 recognised prospectively. The most significant areas of estimation, uncertainty and critical judgments in applying Accounting Policies that have most significant effect on amounts recognised in the Financial Statements of the Company are as follows:

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

Applicable to 2018/2019 only:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI in the principal amount outstanding.
- Establishing the criteria for determining whether the credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval models used to measure ECL.

Applicable to 2017/18 and 2018/19:

- Determination of the fair value of financial instruments with significant unobservable inputs.
- Measurement of defined benefit obligations – key actuarial assumptions
- Recognition of deferred tax assets : availability of future taxable profit against which carry-forward tax losses can be used.
- Impairment of no financial assets
- Impairment of financial instruments – key assumptions used in estimating recoverable cashflows
- Fair value of investment properties
- Useful lives of property, plant and equipment

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CHANGES IN ACCOUNTING POLICIES

The Company has initially adopted SLFRS 9 and SLFRS 15 from 1st April 2018. Due to the transition method chosen by the Company in applying SLFRS 9, comparative information throughout these Financial Statements has not been restated to reflect its requirements. The adoption of SLFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognized by the Company. Accordingly the impact on the comparative information is limited to new disclosure requirements. The effect of initially applying these standards is mainly attributed to the following:

- An increase in impairment losses recognised on financial assets
- Additional disclosures related to SLFRS 9
- Additional disclosures related to SLFRS 15

The impact on classification and measurement of Financial Assets due to the adoption of SLFRS 9 is disclosed in Note 04. Except for the changes below, the Company has consistently applied the accounting policies set out below to all periods presented in these Financial Statements.

SLFRS 9 – “Financial Instruments”

SLFRS 9 replaces LKAS 39 for annual periods on or after 1 April 2018 as permitted by the transitional provisions of SLFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities, at the date of transition were recognized in the retained earnings as at 1 April 2018. Accordingly, the information presented for year 2017/18 does not reflect the requirements of SLFRS 9 and therefore not comparable to the information presented for the year 2018/19 under SLFRS 9.

SLFRS 9 sets out the requirements for recognizing and measuring financial assets and financial liabilities. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement. The requirements of SLFRS 9 represent a significant change from LKAS 39. This new standard brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities.

The key changes to the Company’s accounting policies resulting from its adoption of SLFRS 9 are reflected in Note 04

Classification of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous LKAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

Under SLFRS 9 the loan loss impairment based on incurred loss approach as per LKAS 39 has been replaced by a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. The quantitative impact of applying SLFRS 9 as at 1 April 2018 is disclosed in Note 4.3.

Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below:

- The Company used the exemption not to restate comparatives. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1st April 2018. Accordingly, the information presented for 2017/18 does not reflect the requirements of SLFRS 9 and therefore is not comparable to the information presented for 2018/19 under SLFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The information and details on the changes and implications resulting from the adoption of SLFRS 9 is given in note 04.

Impact of adopting SLFRS 9 – “Financial Instruments”

The impact of this change in accounting policy as at 1st April 2018 has been to decrease retained earnings by Rs.25,901,982 net of tax.

Note 4.2 summarizes the impact of transition to SLFRS 9 – “Financial Instruments” on reserves and retained earnings as at 1st April 2018.

Classification of financial assets and financial liabilities on the date of initial application of SLFRS 9 – “Financial Instruments”

Note 4.1 depicts the original measurement categories under LKAS 39 – “Financial Instruments: Recognition and Measurement” and the new measurement categories under SLFRS 9 – “Financial Instruments” along with their carrying amounts for each class of the Company's financial assets and financial liabilities as at 1st April 2018.

SLFRS 15 – “Revenue from Contracts with Customers”

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations.

The Company initially applied SLFRS 15 on 1 April 2018 retrospectively in accordance with LKAS 8 without any practical expedients. The timing or amount of the Company's fee and commission income from contracts with customers was not impacted by the adoption of SLFRS 15. The impact of SLFRS 15 was limited to the new disclosure requirements.

Summary Of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

Foreign Currency – Foreign currency transactions

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

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

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

3.1 Assets and Liabilities and Basis of Measurement

3.1.1 Financial Assets and Financial Liabilities

Policy Applicable from 1 April 2018

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 financial assets measured at fair value through other comprehensive income any changes in fair value from the trade date to settlement date is accounted in the statement of other comprehensive income.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15.

Notes to the Financial Statements

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

Trade receivables that do not have significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

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

3.1.1.1.1 "Day 1" Profit or Loss

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

3.1.1.2 Classification and Subsequent Measurement

Financial Assets - Policy Applicable from 1 April 2018

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting;

- contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All other financial assets are classified and measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

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

Policy Applicable before 1 April 2018

3.1.1.3 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

Date of Recognition

The Company initially recognizes micro loans, Lease and Hire Purchase receivables, other loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

All financial instruments are initially measured at their fair value plus transaction costs, that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities as per the Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments : Recognition and Measurement" recorded at fair value through profit or loss.

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

3.1.1.4 Classification and Subsequent Measurement of Financial Assets

Company classifies financial assets into one of the following categories:

- Financial Assets at Fair value through Profit or Loss, and within this category as :
 - Held for Trading ; or
 - Designated at Fair Value through Profit or Loss
- Loans and Receivables;
- Held-to-Maturity;
- Available for Sale

The subsequent measurement of the financial assets depends on their classification.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss which are discussed below.

Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or they hold as a part of a portfolio that is managed together for short-term Profit or position taking.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income are recorded in interest Income and Net Gains/ (Losses) from Trading respectively in the income statement according to the terms of the contract, or when the right to receive the payment has been established.

Notes to the Financial Statements

The Company evaluates its financial assets held for trading, to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. During the reporting financial year Company has not classified any financial asset as asset held for trading.

Financial Assets Designated at Fair Value through Profit or Loss

The Company designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally at fair value; or
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows which would have been required under the contract.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'Interest Income', using the EIR, while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and Receivables

'Loans and receivables' comprised of non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available for sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

'Loans and receivables' include Placements with Banks and other Finance Companies, Lease Receivable and Hire Purchase Receivables, Micro Loans, Weleda Warama, Other Loans and

Receivables from Customers, Reverse Repurchase Agreements and other financial investments classified as loans and receivables of the Company.

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases are included under "Lease Rentals Receivable". Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the provision for impairment.

Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as 'Hire Purchase Receivable'. Such assets are accounted for in a similar manner as finance leases.

After initial measurement, 'loans and advances' are subsequently measured at amortized cost using the EIR, less provision for impairment except when the Company designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest Income'. The losses arising from impairment are recognized in the Income Statement in 'Impairment charges for loans and other losses' in the Income Statement.

Held to Maturity Financial Investments

Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement in 'Impairment charges for loans and other losses'.

If the Company were to sell or reclassify more than an insignificant amount of Held to Maturity investments before maturity [other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'], the entire category would be tainted and would have to be reclassified accordingly.

Furthermore, the Company would be prohibited from classifying any financial asset as Held to Maturity during the following two years.

Available for Sale Financial Investments

Available-for-sale investments include equity securities and Government debt securities. Equity investments classified as Available-for-Sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Government Debt securities in this category are intended to be held for an indefinite period of time or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the 'Available-For-Sale Reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in Equity is recycled to Income Statement in 'Other operating income'. Interest earned whilst holding Available-for-Sale financial investments is reported as 'Interest Income' using the EIR.

Interest earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement as 'Interest income' when the right to receive the payment has been established. The losses arising from impairment of such investments too are recognised in the Income Statement in 'Impairment losses on financial investments' and removed from the 'Available for Sale reserve'.

[a] Financial liabilities

Classification and Subsequent Measurement of Financial Liabilities

Company classifies financial liabilities into one of the following categories:

- Financial Liabilities at Fair Value through Profit or Loss
- Financial Liabilities at Amortised Cost

The subsequent measurement of financial liabilities depends on their classification.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Gains or losses on liabilities held for trading are recognised in the Income Statement.

Interest paid/ payable is accrued in Interest Expense using the EIR. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial Liabilities at Amortised Cost

Financial instruments that are not designated at fair value through profit or loss, are classified as liabilities under 'Deposits Due to Customers', 'Debt Instruments Issued and Other Borrowed Funds' or 'Due to Banks & Financial Institutions' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in 'Interest Expenses' in the Income Statement. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.2 Reclassification of Financial Assets and Liabilities

Policy Applicable from 1 April 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Policy Applicable before 1 April 2018

The Company may reclassify non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Notes to the Financial Statements

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed off. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to profit or loss.

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the Company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

An entity shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- (i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- (ii) occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

- (iii) are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

3.3 De Recognition of Financial Assets and Financial Liabilities

3.3.1 Financial Assets

Policy Applicable both from and before 1 April 2018

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of

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

From 1 April 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

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

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

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

3.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under liability is discharged or cancelled or expired.

3.4 Modifications of financial assets and financial liabilities

Policy applicable from 1 April 2018

3.4.1 Financial assets

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

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

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the

asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

3.4.2. Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

Policy applicable before 1 April 2018

3.4.3. Financial assets

If the terms of a financial asset were modified, then the Company evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

Notes to the Financial Statements

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the premodification interest rate.

3.4.4 Financial liabilities

The Company derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss.

Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.5 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

3.6 Amortised Cost Measurement

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

3.7 Determination of Fair Value

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

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

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

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

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

Level 1

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

Level 2

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

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

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

Level 3

Inputs that are unobservable.

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

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

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

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

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first

recorded ["Day 1" profit or loss] is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

3.8 Identification, Measurement and Assessment of Impairment of Financial Assets

Policy applicable from 1 April 2018

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

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

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

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

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

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

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

Notes to the Financial Statements

3.8.1 Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

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

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

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

3.8.2 Restructured financial assets

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

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

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

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

3.8.3 Credit-impaired financial assets

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

3.8.4 Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;

- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component; the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

3.8.5. Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

3.8.6. Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

3.8.7. Grouping financial assets measured on collective basis

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

3.8.8. Incorporating Forward Looking Information

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

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

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

3.8.9. 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.

3.9. Repurchase agreements

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

3.10. Loans and advances

Policy applicable from 1 April 2018

'Loans and advances' captions in the statement of financial position include:

loans and advances measured at amortised cost

- they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

Notes to the Financial Statements

Policy applicable before 1 April 2018

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Company did not intend to sell immediately or in the near term.

Loans and advances to customers included:

- those classified as loans and receivables;
- those designated as at FVTPL; and
- finance lease receivables.

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Company chose to designate the loans and advances as measured at FVTPL. They were measured at fair value with face value changes recognised immediately in profit or loss.

Loans and advances also included finance lease receivables in which the Company was the lessor. When the Company purchased a financial asset and simultaneously entered into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement was accounted for as a loan or advance, and the underlying asset was not recognised in the Company's financial statements.

3.11 Non-Financial Assets

3.11.1 Intangible Assets

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

[a] Basis of Recognition

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

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

[i] Software

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

[b] Subsequent Expenditure

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

[c] Amortization

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

[d] Retirement and Disposal

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

3.11.2 Property, Plant and Equipment

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

[a] Basis of Recognition

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

[b] Measurement

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

[c] Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying

amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss 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 derecognised 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 derecognised.

[e] Depreciation

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

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

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

3.11.2.1 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.

3.11.3 Investment Properties

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

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

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

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

Notes to the Financial Statements

Where the Company occupies a significant portion of the investment property of a subsidiary such as investment properties, are treated as property, plant and equipment in the consolidated Financial Statements, Accounted for in accordance with LKAS 16 – Property, Plant and Equipment.

3.12 Dividends Payable

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

3.13 Deposits due to Customers Debt Instruments Issued and Other Borrowed Funds

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

3.14 Debt Securities Issued and Subordinated Term Debts

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

3.15 Other Liabilities

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

3.16 Provisions

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

3.16.1 Liabilities and provisions

3.16.1.1 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 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 26. 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.

3.17 Interest Income and Expense

Policy applicable before and after 1 April 2018

Effective interest rate

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

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

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 April 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes—

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

- Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and
- Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.
- Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 Fee and Commission Expenses

Fee and commission expenses are recognized on an accrual basis.

3.23 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.

Notes to the Financial Statements

(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. 24 of 2017 and the amendments.

(ii) Deferred Tax

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

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

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

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

(iii) Value Added Tax on Financial Services

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

(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.

(v) Debt Repayment Levy

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services.

3.24 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.

3.25 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.

3.26 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 37

3.27 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.

3.28 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.

3.29 Sri Lanka Accounting Standards [SLFRS/LKAS] issued but not yet effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards. However these standards have not been applied in preparing these financial statements.

Accounting standard	Summary of the requirements	Possible impact on Financial Statements
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>	Company has not yet assessed the impact on its Financial Statements resulting from the application of SLFRS 16.

Notes to the Financial Statements

4 Transition disclosures

The following set out the impact of adopting SLFRS 9 on the Statement of Financial Position, and retained earnings including the effect of replacing LKAS 39's incurred loss calculations with SLFRS 9's expected credit losses.

4.1 A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1st April 2018 is, as follows.

	Reference	LKAS 39 Measurement Category	Amount Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS 09 Amount Rs.	SLFRS 09 Category
Assets							
Cash and cash equivalents		Loans & Receivable	94,163,856			94,163,856	Amortised cost
Placements with Banks and other financial institutions		Loans & Receivable	233,069,642			233,069,642	Amortised cost
Rental receivable on lease		Loans & Receivable	333,913,312		4,555,191	338,468,503	Amortised cost
Rental receivable on hire purchase		Loans & Receivable	12,643,028		1,080,159	13,723,188	Amortised cost
Advance and other loans		Loans & Receivable	850,737,233		30,338,929	881,076,163	Amortised cost
Trade and other receivables		Loans & Receivable	50,523,101			50,523,101	Amortised cost
Inventories			668,000			668,000	
Income tax receivables			4,452,003			4,452,003	
Available for sale financial assets	A	Available For Sale	8,071,749	(8,071,749)		-	
Equity instruments at fair value through OCI	A		-	8,071,749		8,071,749	FVOCI
Intangible assets			1,417,849			1,417,849	
Property, plant & equipment			12,426,351			12,426,351	
Deferred Tax Asset	B		31,748,786		10,072,798	41,821,584	
Total Assets			1,633,834,910	-	46,047,078	1,679,881,989	
Liabilities							
Due to banks and financial institutions		Amortised cost	75,126,583			75,126,583	Amortised cost
Deposits due to customers		Amortised cost	649,996,600			649,996,600	Amortised cost
Trade and other payables		Amortised cost	97,768,754			97,768,754	Amortised cost
Retirement benefit obligation			5,137,175			5,137,175	
Total Liabilities			828,029,112	-	-	828,029,112	
Equity							
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	
Available For Sale Reserve			280,939	(280,939)		-	
Fair Value Reserve				280,939		280,939	FVOCI
Retained earnings	4.2		(109,505,702)		46,047,078	(63,458,624)	
Total Equity			805,805,798	-	46,047,078	851,852,877	
Total Liabilities and Equity			1,633,834,910	-	46,047,078	1,679,881,989	

A Financial assets previously classified under available for sale category have been reclassified as financial assets fair value through other comprehensive income (FVOCI) upon adoption of SLFRS 9.

B The impact of adopting SLFRS 9 on deferred tax is set out under Note 4.2 to the Financial Statements.

4.2 The impact of transition to SLFRS 9 on retained earnings, is as follows

	Retained Earnings Rs.
Closing balance under LKAS 39 as at 31st March 2018	(109,505,702)
Remeasurement adjustments on adoption of SLFRS 9	
Impact of expected credit losses under SLFRS 9	(35,974,280)
Deferred tax impact on above	10,072,798
Total change in equity due to adoption of SLFRS 9	(25,901,482)
Opening balance under SLFRS 9 as at 1st April 2018	(135,407,184)

4.3 The following table reconciles the aggregate opening loan loss provision allowances under LKAS 39 to the ECL allowances under SLFRS 9.

	Loan loss provision under LKAS 39 31 March 2018 Rs.	Remeasurement Rs.	ECLs under SLFRS 9 as at 1 April 2018 Rs.
Rental receivable on lease	812,110	4,555,191	5,367,301
Rental receivable on hire purchase	393,641	1,080,159	1,473,801
Advance and other loans	71,877,800	30,338,929	102,216,730
	73,083,551	35,974,280	109,057,831

5 Income

For the year ended 31st March	2019 Rs.	2018 Rs.
Interest Income [Note 6]	271,332,009	204,173,082
Fee and commission Income [Note 8]	15,185,357	13,643,421
Other Income [Note 9]	10,864,447	17,600,149
	297,381,813	235,416,652

6 Interest income

For the year ended 31st March	2019 Rs.	2018 Rs.
Lease Finance	77,538,338	32,942,319
Hire Purchase	1,236,064	3,625,501
Loans	131,534,496	84,096,841
Fixed Deposit Loans	7,830,483	1,998,162
Pawning	42,032,269	28,561,898
Micro Finance	-	172,470
Reverse Repurchase Agreements	1,201,948	32,707,692
Treasury Bonds	701,461	701,461
Placements with Banks and other financial institutions	8,913,011	16,652,681
Money market/ Savings interest	343,939	2,714,057
	271,332,009	204,173,082

Notes to the Financial Statements

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

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

Accordingly, net interest income earned for the year by the company from secondary market transactions in Government securities purchased up to 31/03/2018 has been grossed up in the financial statements and resulting notional tax credit amounted to Rs. 137,775 [2018 : Rs. 3,570,646]. However any notional tax credit balance available should be set off against future taxable income within three years from the enactment date of the Act, after recovering tax loss brought forward. Accordingly the company wrote-off the total tax credit balance as at the year end, since the future profit forecast may not be adequate to recover the available notional tax credit balances.

7 Interest Expenses

For the year ended 31st March	2019 Rs.	2018 Rs.
Fixed Deposits	93,327,885	60,110,228
Savings Deposits	423,691	357,971
Repurchase Agreements	-	3,499,522
Bank Loans	-	924,975
OD interest	6,313,847	-
	100,065,423	64,892,696

8 Fee and Commission Income

For the year ended 31st March	2019 Rs.	2018 Rs.
Default Charges	11,822,458	8,120,607
Service/Documentation Charges	2,015,524	4,269,001
Transfer fee	321,779	468,383
Other Charges	1,025,596	785,430
	15,185,357	13,643,421

9 Other Income

For the year ended 31st March	2019 Rs.	2018 Rs.
Insurance Commission	1,075,661	827,500
Profit on disposal of Fixed Assets	488,828	889,672
Profit/(Loss) on Repossessed Stock	[2,659,011]	[373,422]
Profit on Pawning Auction	94,592	96,231
Termination Income on Lease, Hire Purchase & Loans	8,270,788	8,627,313
Recovery of bad debts	2,943,136	-
Dividend Income	51,610	30,537
Profit from Sale of Dealing Securities	58,242	2,320,051
Fair value change in Dealing Securities	-	210,498
Sundry Income	540,601	4,971,769
	10,864,447	17,600,149

10 Profit/(Loss) Before Taxation and Value Added Tax on Financial Services (VAT on FS)

is stated after charging all the expenses including the following:

For the year ended 31st March	2019 Rs.	2018 Rs.
Auditor's Remuneration	1,200,000	928,865
Depreciation of Property, Plant and Equipment (Note 22)	8,077,184	3,401,932
Amortisation of Intangible Assets (Note 23)	737,670	582,735
Directors' Emoluments	12,256,800	11,854,467
Defined Benefit Plan - Retirement obligation	2,301,115	1,536,583
Personnel Costs include,		
Salaries and wages	75,726,027	55,222,883
Defined Contribution Plan - EPF	9,068,000	6,490,427
- ETF	2,267,000	1,622,607
Other Staff Related Costs	3,613,870	2,725,527

11 Income Tax Expenses

For the year ended 31st March	2019 Rs.	2018 Rs.
Current tax expense		
Taxation		
Current Income Tax Expense on Profits for the Year (Note 11.1)	-	-
(Over)/under provision in respect of previous year	785,917	1,397,300
	785,917	1,397,300
Deferred Tax Charge/(Reversal) for the Year (Note 27)	[16,296,748]	[18,384,957]
Total charge/(reversal) to Profit or Loss	[15,510,831]	[16,987,657]
Deferred Tax Charge/(Reversal) recognised in [OCI] (Note 27)	675,923	27,208
Total charge/(reversal) in OCI	675,923	27,208

11.1 Reconciliation between Accounting Loss and Taxable Profit/(Loss)

For the year ended 31st March	2019 Rs.	2018 Rs.
Accounting Profit/(Loss) before Income Tax expenses	[78,619,422]	[33,938,242]
Income from other sources and exempt income	[598,670]	[3,450,758]
Aggregate Disallowed Items	146,859,049	101,333,881
Aggregate Allowable Expenses	[94,479,796]	[102,073,808]
Assessable Charge or [Balancing Allowance] on depreciable assets	460,736	-
Taxable Profit/(Loss) - Leased assets	[26,798,944]	-
Taxable Profit/(Loss)	[53,177,045]	[38,128,928]
Tax Profit/(Loss) from other business	-	[811,693]
Taxable Profit from Leasing business	-	[37,317,234]
Tax loss claimed during the year	-	-
Assessable Income/Taxable Profit/(Loss)	[53,177,045]	[38,128,928]
Income tax @ 28%	-	-

Notes to the Financial Statements

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

11.2 Reconciliation of Tax Loss from Other Business

For the year ended 31st March	2019 Rs.	2018 Rs.
Tax loss B/F	110,400,869	107,354,970
Adjustment to Tax loss brought forward	(1,175,232)	2,234,206
Tax loss for the year	53,177,045	811,693
Tax loss utilised during the year	-	-
Tax loss C/F	162,402,682	110,400,869

12 Earnings/[Loss] Per Share

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

For the year ended 31st March	2019 Rs.	2018 Rs.
Profit/[Loss] attributable to ordinary share holders (Rs.)	(63,108,592)	(16,950,585)
Weighted average number of ordinary shares outstanding during the year	63,610,181	63,610,181
Earnings/[Loss] per share (Rs.)	[0.99]	[0.27]

13 Cash and Cash Equivalents

As at 31st March	2019 Rs.	2018 Rs.
Favourable balance		
Investment in Repurchase Agreements	-	65,500,000
Cash at Bank	35,590,119	21,114,116
Cash in Hand	6,353,086	7,549,740
	41,943,205	94,163,856
Unfavourable balance		
Bank overdrafts	(48,509,429)	(75,126,583)
	(48,509,429)	(75,126,583)
	(6,566,224)	19,037,273

13.1 Cash and Cash Equivalents for the Purpose of Statement of Cash Flows

As at 31st March	2019 Rs.	2018 Rs.
Favourable balance		
Investment in Repurchase Agreements	-	65,500,000
Cash at Bank	35,590,119	21,114,116
Cash in Hand	6,353,086	7,549,740
	41,943,205	94,163,856
Unfavourable balance		
Bank overdrafts	(48,509,429)	(75,126,583)
	(48,509,429)	(75,126,583)
Net Cash & Cash Equivalents for the Purpose of Statement of Cash Flows	(6,566,224)	19,037,273

14 Impairment Charge/[Reversal] For Lease, Hire Purchase & Advances and Other Loans

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

Impairment charge/[reversal] for lease, hire purchase & advances and other loans

For the year ended 31st March 2019	Stage 1 Collective Rs.	Stage 2 Collective Rs.	Stage 3 Collective Rs.	Individual Rs.	Total Rs.
Lease	2,357,311	10,227,916	260,384	4,676,561	17,522,171
Hire Purchase	(33,913)	(1,153,721)	2,370	-	(1,185,264)
Advances and Other Loans	(3,888,584)	(754,396)	6,320,209	13,252,975	14,930,205
Charge For The Year	(1,565,186)	8,319,800	6,582,963	17,929,536	31,267,112

Allowance for expected credit losses as at 31.03.2019

	Stage 1 Collective Rs.	Stage 2 Collective Rs.	Stage 3 Collective Rs.	Individual Rs.	Total Rs.
Lease	5,671,377	11,469,588	260,384	5,488,124	22,889,472
Hire Purchase	-	134,309	154,228	-	288,537
Advances and Other Loans	2,250,610	4,049,558	38,801,354	72,045,412	117,146,934
As At 31.03.2019	7,921,987	15,653,455	39,215,966	77,533,535	140,324,943

Allowance for expected credit losses as at 31.03.2018

	Stage 1 Collective Rs.	Stage 2 Collective Rs.	Stage 3 Collective Rs.	Individual Rs.	Total Rs.
Lease	3,314,066	1,241,672	-	811,563	5,367,301
Hire Purchase	33,912	1,288,030	151,858	-	1,473,800
Advances and Other Loans	6,139,194	4,803,954	32,481,145	58,792,436	102,216,730
As At 31.03.2018 (SLFRS 09)	9,487,173	7,333,656	32,633,003	59,603,999	109,057,831

Notes to the Financial Statements

15 Rentals Receivable On Leased Assets

As at 31st March	2019 Rs.	2018 Rs.
Receivable from over five years		
Rentals Receivable	940,332	2,960,760
Less: Unearned Income	(47,782)	(267,146)
Rentals Received in Advance	-	-
	892,550	2,693,614
Receivable from one to five years		
Rentals Receivable	404,911,269	305,907,203
Less: Unearned Income	(98,096,074)	(77,325,687)
Rentals Received in Advance	-	(29,997)
	306,815,195	228,551,519
Receivable within one year		
Rentals Receivable	183,281,024	157,114,887
Less: Unearned Income	(68,786,694)	(52,920,520)
Rentals Received in Advance	(618,465)	(714,078)
	113,875,865	103,480,289
Total		
Total Rentals Receivable	589,132,625	465,982,851
Less: Unearned Income	(166,930,550)	(130,513,354)
Rentals Received in Advance	(618,465)	(744,075)
Provision for impairment of finance leases (Note 15.1)	(22,889,472)	(812,110)
	398,694,138	333,913,312

15.1 Movement in Impairment Charge for Rentals Receivable on Leased Assets

As at 31st March	2019 Rs.	2018 Rs.
Balance as at 01 April (LKAS 39)	812,110	179,332
SLFRS 09 Adjustment	4,555,191	-
Balance as at 01 April (SLFRS 09)	5,367,301	179,332
Provision/(reversal) during the year	17,522,171	632,778
Balance at the end of the year	22,889,472	812,110

16 Rentals Receivable On Hire Purchase

As at 31st March	2019 Rs.	2018 Rs.
Receivable from over five years		
Rentals Receivable	-	-
Less: Unearned Income	-	-
Rentals Received in Advance	-	-
Receivable from one to five years		
Rentals Receivable	998,590	4,798,013
Less: Unearned Income	(36,387)	(420,304)
Rentals Received in Advance	-	(95,070)
	962,203	4,282,639
Receivable within one year		
Rentals Receivable	4,228,708	10,049,092
Less: Unearned Income	(353,712)	(1,188,262)
Rentals Received in Advance	(102,743)	(106,800)
	3,772,253	8,754,030
Total		
Rentals Receivable	5,227,298	14,847,105
Less: Unearned Income	(390,100)	(1,608,566)
Rentals Received in Advance	(102,743)	(201,870)
Provision for impairment of Hire Purchase (Note 16.1)	(288,537)	(393,641)
	4,445,918	12,643,028

16.1 Movement in Impairment Charge for Hire Purchase Receivables

As at 31st March	2019 Rs.	2018 Rs.
Balance as at 01 April (LKAS 39)	393,641	812,579
SLFRS 09 Adjustment	1,080,159	-
Balance as at 01 April (SLFRS 09)	1,473,800	812,579
Provision/(reversal) during the year	(1,185,263)	(418,938)
Balance at the end of the year	288,537	393,641

17 Advance and other Loans

As at 31st March	2019 Rs.	2018 Rs.
Net Investment in Loans (Note 17.1)	513,323,632	680,114,640
Net Investment in Loans against Fixed Deposits (Note 17.2)	46,107,910	14,190,017
Net Investment in Pawning Advances (Note 17.3)	217,964,429	156,432,576
	777,395,971	850,737,233

17.1 Net Investment in Loans

As at 31st March	2019 Rs.	2018 Rs.
Loan Rental Receivable	584,534,429	829,439,688
Rentals in arrears	193,621,527	131,139,928
Less: Unearned Income	(146,835,422)	(206,811,631)
Rentals Received in Advance	(862,977)	(1,775,545)
Provision for Impairment	(117,133,925)	(71,877,800)
	513,323,632	680,114,640

Notes to the Financial Statements

17.2 Net Investment in Loans against Fixed Deposits

As at 31st March	2019 Rs.	2018 Rs.
Fixed Deposit Loan Rental Receivable	45,385,744	13,791,180
Rentals in Arrears	722,166	398,837
	46,107,910	14,190,017

17.3 Net Investment in Pawning Advances

As at 31st March	2019 Rs.	2018 Rs.
Pawning Advance	210,864,944	150,007,098
Interest Receivable on Pawning Loans	7,112,494	6,425,478
Less: Provision for Impairment	[13,009]	-
	217,964,429	156,432,576

17.4 Movement in Impairment Charge for Advance and Other Loans

As at 31st March	2019 Rs.	2018 Rs.
Balance as at 01 April [LKAS 39]	71,877,800	26,997,167
SLFRS 09 Adjustment	30,338,929	-
Balance as at 01 April [SLFRS 09]	102,216,729	26,997,167
Provision/(reversal) during the year	14,930,205	44,880,633
Balance at the end of the year	117,146,934	71,877,800

18 Other Receivables

As at 31st March	2019 Rs.	2018 Rs.
Interest Receivable on Reverse Repurchase Agreements	-	382,773
Receivable from Entrust Securities PLC	119,260	119,259
Other Receivables [Note 18.1]	23,479,649	18,248,401
Deposits and Prepayments [Note 18.2]	40,472,242	31,772,668
	64,071,151	50,523,101

18.1 Other Receivable

As at 31st March	2019 Rs.	2018 Rs.
Notional Tax Receivable	-	3,570,646
Value Added Tax Receivable	1,018,566	3,494,005
VAT on Financial Services	4,887,878	2,521,735
Debt Repayment Levy Receivable	1,841,942	-
ESC Receivable	3,357,134	1,446,075
Crop Insurance Levy Receivable	125,464	125,464
Others	15,776,861	10,618,672
Less: Provision for other receivables	[3,528,196]	[3,528,196]
	23,479,649	18,248,401

18.2 DEPOSITS AND PREPAYMENTS

As at 31st March	2019 Rs.	2018 Rs.
Deposits	555,500	499,963
Rent Deposits	5,335,000	4,085,000
Prepayments	34,581,742	27,187,705
	40,472,242	31,772,668

19 Repossessed Stock

As at 31st March	2019 Rs.	2018 Rs.
Reposessed Stock	23,348,460	1,531,582
Less: Provision for decrease in value	(7,904,461)	(863,582)
	15,443,999	668,000

20 Financial Assets Measured at Fair Value Through Other Comprehensive Income/ Financial Investments - Available for Sale

As at 31st March	2019 Rs.	2018 Rs.
Quoted Share Investment (Note 20.1)	-	550,554
Non Quoted Shares Investment (Note 20.2)	2,500	2,500
Investment in Long Term Government Securities (Note 20.3)	8,101,123	7,518,695
	8,103,623	8,071,749

20.1 Quoted Share Investment

As at 31st March	No. of Shares	2019 Cost Rs.	Market Value Rs.	No. of Shares	2018 Cost Rs.	Market Value Rs.
1 Galadari Hotels (Lanka) PLC	-	-	-	64,771	2,228,331	550,554
2 Entrust Securities PLC (Note 20.1.1)	100,000	5,157,120	-	100,000	5,157,120	-
	100,000	5,157,120	-	164,771	7,385,451	550,554
Less : Provision for diminution in value		(5,157,120)			(6,834,897)	
		-			550,554	

20.1.1 Mark to Market Valuation

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

20.2 Non Quoted Shares Investment

As at 31st March	2019 Rs.	2018 Rs.
Credit Information Bureau of Sri Lanka	2,500	2,500

20.3 Investment in Long Term Government Securities

As at 31st March	2019 Rs.	2018 Rs.
Face value	6,340,000	6,340,000
Amortised cost	8,076,508	7,445,193
Market value	8,101,123	7,518,695

Notes to the Financial Statements

21 Investment Property

As at 31st March	2019 Rs.	2018 Rs.
Balance as at 1st April	-	-
Addition during the year	16,142,750	-
Change in fair value	-	-
Balance as at 31st March	16,142,750	-

Description of the Properties	Location	Extent	Name of the Valuer	Fair Value 2019	Date of Deed Transfer	Deed Number
Lands	Nattarampotha	46.53 P	W.M.I Gallella, Court Licensed Auctioneer & Valuer	8,142,750	14-02-2018	02/2018
	Alawathugoda	15.00 P		3,000,000	14-02-2018	01/2018
	Doratiyawa	92.50 P		5,000,000	22-02-2019	01/2019
				16,142,750		

As a part of a loan settlement, the Company obtained three lands, which has been classified as investment property [LKAS 40], as the Company intends to sell the property within a short span of time. The properties value was based on the Deed of Transfers as mentioned above.

Property valuation are inherently subjective as they are made on basic of assumption made by the valuer which may not prove to be accurate. For these reasons we have classified investment property valuation as level 3 as define by SLFRS 13.

22 Property, Plant and Equipment

	Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Total 2019 Rs.	Total 2018 Rs.
As at 31st March						
Cost						
Balance at the beginning of the year	16,696,774	14,450,399	12,279,790	2,872,909	46,299,872	59,204,083
Additions during the year	5,580,163	20,613,096	1,351,571	-	27,544,830	8,043,436
Disposals during the year	(425,970)	(7,646,685)	(1,476,805)	(258,900)	(9,808,360)	(20,947,647)
Reclassification during the year	-	-	-	-	-	-
Balance at the end of the year	21,850,967	27,416,810	12,154,556	2,614,009	64,036,342	46,299,872
Accumulated Depreciation						
Balance at the beginning of the year	11,595,782	10,292,199	9,223,477	2,762,063	33,873,521	51,303,710
Charge for the year	2,332,012	4,472,184	1,238,408	34,580	8,077,184	3,401,932
Disposal/Transfers during the year	(388,638)	(7,646,685)	(1,447,955)	(258,900)	(9,742,178)	(20,832,122)
Reclassification during the year	-	-	-	-	-	-
Balance at the end of the year	13,539,156	7,117,698	9,013,930	2,537,743	32,208,527	33,873,520
Carrying Value as at 31st March 2019	8,311,811	20,299,112	3,140,626	76,266	31,827,815	
Carrying Value as at 31st March 2018	5,100,992	4,158,200	3,056,313	110,846		12,426,352

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

As at 31st March	2019 Rs.	2018 Rs.
Description		
Computers	9,840,245	8,876,003
Furniture & Fittings	1,287,743	8,788,719
Office Equipment	6,747,119	7,892,744
Motor Vehicles	2,441,109	2,700,009
	20,316,216	28,257,475

23 intangible assets

As at 31st March	2019 Rs.	2018 Rs.
Cost		
Balance at the beginning of the year	18,156,385	16,825,385
Additions during the period	1,926,218	1,331,000
Balance at the end of the year	20,082,603	18,156,385
Amortisation		
Balance at the beginning of the year	16,738,536	16,155,801
Charge for the year	737,670	582,735
Balance at the end of the year	17,476,206	16,738,536
Carrying Value at the end of the year	2,606,397	1,417,849

24 Deposits due to Customers

As at 31st March	2019 Rs.	2018 Rs.
Fixed Deposits	655,092,850	645,556,953
Saving Deposits	5,533,037	4,439,647
	660,625,887	649,996,600

25 Other Payable

As at 31st March	2019 Rs.	2018 Rs.
Payable to Suppliers	700,000	44,632,134
Statutory Payables (Note 25.1)	1,205,395	1,762,696
Accrued Expenses	6,588,190	4,746,918
Other Payables	5,581,636	4,447,424
Payable to Entrust Limited (Note 25.2)	37,586,727	42,179,582
Payable to Fairway Holdings	396,209	-
	52,058,157	97,768,754

25.1 Statutory Payables

As at 31st March	2019 Rs.	2018 Rs.
Withholding Tax	393,710	61,177
ESC Payable	457,431	-
Stamp Duty	354,254	1,701,519
	1,205,395	1,762,696

Notes to the Financial Statements

- 25.2** Amount payable to Entrust Limited (EL) includes cash collected and not yet remitted to EL in relation to the portfolio disposed during the year 2016 amounting to Rs.37,586,727 (2018-Rs. 42,179,582/-). This balance is presented net, after setting off a repo receivable balance of Rs.54 Mn from Entrust Securities Limited, against total payable due to EL, based on the legal confirmation obtained on 23 June 2017 confirming that there is no bar to setting off the above as explained.

26 Retirement Benefit Obligation

As at 31st March	2019 Rs.	2018 Rs.
Balance at the beginning of the year	5,137,175	4,275,264
Amount recognised in Profit or Loss (Note 26.1)	2,301,115	1,536,583
Amount recognised in Other Comprehensive Income (Note 26.2)	(2,414,010)	[97,172]
	5,024,280	5,714,675
Payments during the year	[132,300]	[577,500]
Balance at the end of the year	4,891,980	5,137,175

26.1 Expenses recognised in the statement of profit or loss

As at 31st March	2019 Rs.	2018 Rs.
Current Service Cost	1,767,877	1,034,240
Interest on obligation	533,238	502,343
	2,301,115	1,536,583

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

As at 31st March	2019 Rs.	2018 Rs.
Experience adjustment	[624,131]	[640,617]
Demographic and Financial assumptions	[1,789,879]	543,445
Remeasurement of retirement benefit obligation	[2,414,010]	[97,172]

- 26.3** An Independent Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2019 by Mr.P.S.Goonetilleke of Piya 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	2019	2018
i) Rate of Interest (per annum) :	11.00%	10.38%
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.

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

2019	Effect on employee benefit obligation	
	Increase	Decrease
Discount Rate [change by 1%]	(211,438]	229,681
Salary Increment Rate [change by 1%]	227,868	(213,611]

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]

27 Deferred Taxation

As at 31st March	Asset		Liability		Net	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Property, Plant and Equipment	-	-	1,504,718	1,031,641	1,504,718	1,031,641
Lease Rental Receivable	-	-	14,651,194	14,502,266	14,651,194	14,502,266
Retirement Benefit Obligation	(1,369,754]	(1,438,409]	-	-	(1,369,754]	(1,438,409]
Carried forward Disallowed Impairment	(16,683,018]	(14,932,040]	-	-	(16,683,018]	(14,932,040]
Carried forward Tax losses	(45,472,751]	(30,912,244]	-	-	(45,472,751]	(30,912,244]
Allowance for loan losses SLFRS 9 first day impact	(10,072,798]	-	-	-	(10,072,798]	-
	(73,598,321]	(47,282,693]	16,155,912	15,533,907	(57,442,409]	(31,748,786]

27.1 Reconciliation of Deferred Tax

	Balance 1st April 2017	Profit or Loss	OCI	Balance 31st March 2018	Balance 1st April 2018	Profit or Loss	OCI	Balance 31st March 2019
Liability								
Property, Plant and Equipment	295,800	735,841	-	1,031,641	1,031,641	473,077	-	1,504,718
Lease Rental Receivable	4,587,098	9,915,168	-	14,502,266	14,502,266	148,928	-	14,651,194
	4,882,898	10,651,009	-	15,533,907	15,533,907	622,005	-	16,155,912
Assets								
Employee Benefit obligation	1,336,631	(2,802,248]	27,208	(1,438,409]	(1,438,409]	(607,268]	675,923	(1,369,754]
Carried forward Disallowed Impairment	-	(14,932,040]	-	(14,932,040]	(14,932,040]	(1,750,978]	-	(16,683,018]
Carried forward Tax losses	(19,610,566]	(11,301,678]	-	(30,912,244]	(30,912,244]	(14,560,507]	-	(45,472,751]
	(18,273,935]	(29,035,966]	27,208	(47,282,693]	(47,282,693]	(16,918,753]	675,923	(63,525,523]
Allowance for loan losses SLFRS 9 first day impact	-	-	-	-	(10,072,798]	-	-	(10,072,798]
Adjusted deferred tax assets	(18,273,935]	(29,035,966]	27,208	(47,282,693]	(57,355,491]	(16,918,753]	675,923	(73,598,321]
Total	(13,391,037]	(18,384,957]	27,208	(31,748,786]	(41,821,584]	(16,296,748]	675,923	(57,442,409]

Notes to the Financial Statements

28 Stated Capital

As at 31st March	2019 Rs.	2018 Rs.
Issued and Fully Paid:		
Ordinary Shares	898,375,289	898,375,289
Shares Issued during the year	-	-
Balance at the end of the year [Ordinary Shares 63,610,181]	898,375,289	898,375,289

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

29 Reserves

29.1 Statutory Reserve

As at 31st March	2019 Rs.	2018 Rs.
Balance at the beginning of the year	5,389,222	5,389,222
Transfer during the year	-	-
Balance at the end of the year	5,389,222	5,389,222

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

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

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

29.2 General Reserve

As at 31st March	2019 Rs.	2018 Rs.
Balance at the end of the year	11,266,050	11,266,050

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

29.3 Fair Value Reserve/Available For Sale Reserve

As at 31st March	2019 Rs.	2018 Rs.
Balance at the beginning of the year	280,939	2,014,937
Impact of charge in fair value	[48,887]	[1,733,998]
Balance at the end of the year	232,052	280,939

30 Financial Instruments

30.1 Financial Instruments - Statement of Financial Position

Financial Assets

As at 31st March 2019	Note	Measured at Amortised Cost	Assets at fair value		Total
			Fair Value Through Profit & loss	Fair Value Through OCI	
			Rs.	Rs.	Rs.
Investment in Repurchase Agreement	13	-	-	-	-
Cash at Bank & in Hand	13	41,943,205	-	-	41,943,205
Placements with Banks and other financial institutions		61,460,074	-	-	61,460,074
Rental receivables on Lease	15	398,694,138	-	-	398,694,138
Rental receivables on Hire purchase	16	4,445,918	-	-	4,445,918
Advance and other loans	17	777,395,971	-	-	777,395,971
Other receivables	18	64,071,151	-	-	64,071,151
Receivable from Inland Revenue		4,992,927	-	-	4,992,927
Financial Assets Measured at FVOCI	20	-	-	8,103,623	8,103,623
Total Financial Assets		1,353,003,384	-	8,103,623	1,361,107,007
Other Non Financial Assets					123,463,371
Total Assets					1,484,570,377

As at 31st March 2018	Note	Assets at amortized cost		Assets at fair value		Total
		Loans & receivables	Held to maturity	Fair Value Through Profit & loss	Available for sale	
		Rs.	Rs.	Rs.	Rs.	
Investment in Repurchase Agreement	13	65,500,000	-	-	-	65,500,000
Cash at Bank & in Hand	13	28,663,856	-	-	-	28,663,856
Placements with Banks and other financial institutions		-	233,069,642	-	-	233,069,642
Rental receivables on Lease	15	333,913,312	-	-	-	333,913,312
Rental receivables on Hire purchase	16	12,643,028	-	-	-	12,643,028
Advance and other loans	17	850,737,233	-	-	-	850,737,233
Other receivables	18	50,523,101	-	-	-	50,523,101
Receivable from Inland Revenue		4,452,003	-	-	-	4,452,003
Financial Assets available for sale	20	-	-	-	8,071,749	8,071,749
Total Financial Assets		1,346,432,534	233,069,642	-	8,071,749	1,587,573,925
Other Non Financial Assets						46,260,986
Total Assets						1,633,834,910

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

Notes to the Financial Statements

Financial Liabilities

	Note	Fair value Through PL/OCI Rs.	Measured at Amortized cost Rs.	Total Rs.
As at 31st March 2019				
Due to banks and financial institutions	13	-	48,509,429	48,509,429
Deposits due to customers	24	-	660,625,887	660,625,887
Other Payable	25	-	52,058,157	52,058,157
Total Financial Liabilities		-	761,193,473	761,193,473
Other Non Financial Liabilities		-	-	4,891,980
Total Liabilities		-	761,193,473	766,085,453
As at 31st March 2018				
Due to banks and financial institutions	13	-	75,126,583	75,126,583
Deposits due to customers	24	-	649,996,600	649,996,600
Other Payable	25	-	97,768,754	97,768,754
Total Financial Liabilities		-	822,891,937	822,891,937
Other Non Financial Liabilities		-	-	5,137,175
Total Liabilities		-	822,891,937	828,029,112

30 FINANCIAL INSTRUMENTS

30.2 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 or 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 fair value through profit & loss.

Financial Assets Measured at FVOCI

Multi Finance PLC has classified the investment in Investment securities and certain shares under Financial Asset measured at FVOCI. (Up to 31 March 2019 under available for sale)

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

Further the Directors assessed the valuation of the investment securities and concluded that the value of investment has not significantly increased or impaired. Share investments have been impaired, in line with SLFRS 09.

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

Determination of fair value and fair value hierarchy

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

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

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

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

Financial Asset measured at FVOCI of Multi Finance PLC has been valued using the Level 1 techniques of the valuation hierarchy and fair value as at 31st March 2019 is Rs. 8,101,123 (2018 : Rs. 8,069,249). Total Loss recognized in the equity on this investment for the year ended 31 March 2019 is Rs. 48,887

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
As at 31st March 2019			
Financial Assets Measured at Fair Value Through Other comprehensive income / Financial Investments - Available For Sale	8,101,123	-	2,500
Investment Property	-	-	16,142,750
	8,101,123	-	16,145,250
As at 31st March 2018			
Financial assets available for sale	8,069,249	-	2,500
	8,069,249	-	2,500

31 FINANCIAL RISK MANAGEMENT

31.1 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.

31.2 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 to the Financial Statements

As at 31st March	Note	2019 Rs.	2018 Rs.
Cash and cash equivalents	13	41,943,205	94,163,856
Placements with Banks and other financial institutions		61,460,074	233,069,642
Rental receivable on lease	15	398,694,138	333,913,312
Rental receivable on hire purchase	16	4,445,918	12,643,028
Advance and other loans	17	777,395,971	850,737,233
Other receivables	18	64,071,151	50,523,101
Financial Asset measured at FVOCI/Available for sale financial assets	20	8,103,623	8,071,749

Age analysis of loans and receivables

	Rental receivable on Lease Rs.	Rental receivable on Hire Purchase Rs.	Advances and other loans Rs.
As at 31st March 2019			
Less than 90 days	356,421,189	4,068,278	578,315,508
91 to 179 days	59,125,812	307,247	173,688,302
180 to 365 days	3,591,884	-	22,941,995
More than 365 days	2,444,725	358,930	119,597,100
Impairment	(22,889,472)	(288,537)	(117,146,934)
Total	398,694,138	4,445,918	777,395,971
As at 31st March 2018			
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)	(393,641)	(71,877,800)
Total	333,913,312	12,643,028	850,737,233

Credit Quality Analysis

The below tables summarises the credit quality of loans and receivables

Loan Category	31st March 2019		
	Total Rs.	Performing Rs.	Non Performing Rs.
Rental receivable on Lease	421,583,611	415,547,002	6,036,609
Rental receivable on Hire Purchase	4,734,455	4,375,524	358,930
Advance and other Loans	894,542,905	752,003,810	142,539,095
Total Gross loans and receivables	1,320,860,971		
Impairment			
- Individually significant impairment	(77,533,535)		
- Collective Impairment	(62,791,408)		
Total net loans and receivables	1,180,536,026		

Loan Category	31st March 2018		
	Total 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
Total Gross loans and receivables	1,270,377,124		
Impairment			
- Individually significant impairment	[48,498,650]		
- Collective Impairment	[24,584,902]		
Total net loans and receivables	1,197,293,572		

Credit Concentration Risk

Company Monitors credit concentration risk under product portfolios

As at 31st March	2019		2018	
	Rs.	%	Rs.	%
Leasing	398,481,325	33.75%	333,913,312	27.89%
Hire Purchase	4,445,915	0.38%	12,643,028	1.06%
Business loans	127,747,130	10.82%	263,224,907	21.98%
Mortgage Loans	231,660,480	19.62%	260,801,464	21.78%
Vehicle Loans	19,674,278	1.67%	41,877,675	3.50%
FD against Loans	46,107,909	3.91%	14,190,017	1.19%
Pawning	217,964,429	18.46%	156,432,576	13.07%
Staff Loans	14,940,511	1.27%	5,503,859	0.46%
Multi Draft	109,408,618	9.27%	102,959,224	8.60%
Personal Loan	6,619,826	0.56%	-	0.00%
Educational Loans	3,485,604	0.30%	5,747,511	0.48%
	1,180,536,026	100.00%	1,197,293,573	100.00%

Province wise concentration risk is as follows

As at 31st March	Lease rental receivables		Hire Purchase receivables		Advances and other loans	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Western	224,906,821	158,839,453	3,656,052	7,289,604	568,072,869	544,740,800
Southern	44,949,281	21,003,954	-	369,421	47,751,032	65,965,498
Sabaragamuwa	28,145,188	37,166,615	358,930	415,776	53,565,789	62,697,818
Central	31,924,507	36,080,974	-	295,477	87,407,275	109,510,685
North Western	41,016,395	40,623,726	122,793	2,970,283	75,353,996	100,331,434
North Central	50,641,418	41,010,700	596,680	1,696,109	62,391,944	39,368,798
Impairment	[22,889,472]	[812,110]	[288,537]	[393,641]	[117,146,934]	[71,877,800]
	398,694,138	333,913,312	4,445,918	12,643,028	777,395,971	850,737,233

Notes to the Financial Statements

Collaterals held

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

As at 31st March	2019 Rs.	2018 Rs.
Secured by moveable assets	768,313,077	808,091,498
Secured by non-moveable assets	231,660,480	260,801,464
Secured by Cash	46,107,909	14,190,017
Others	134,454,560	114,210,593
Total	1,180,536,026	1,197,293,573

Other Investments

Other Investments mainly includes investment in government securities, short term deposits 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.

31.3 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.

Exposure to Liquidity Risk

Exposure to Liquidity Risk is monitors through the Liquid Asset Ratio [LAR] of the Company.

As at 31st March	2019 Rs.	2018 Rs.
Liquid Asset Ratio [LAR]		
Average for the year	4.44%	86.83%
Maximum for the year	14.62%	172.49%
Minimum for the year	1.27%	15.14%

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	2019 Rs.	2018 Rs.
Cash in Hand	6,353,086	7,549,740
Balances in Current Accounts free from lien	7,602,626	4,808,903
Deposits in Commercial Banks free from lien	1,754,706	20,600,993
Approved Securities	-	65,500,000
Total liquid assets as at end of March	15,710,418	98,459,636

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2019, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

As at 31st March 2019	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Bearing Assets						
Cash and cash equivalents*	6,139,349	-	-	-	-	6,139,349
Placements with Banks and Other Finance Companies	61,460,074	-	-	-	-	61,460,074
Finance Lease Receivables**	19,972,497	71,013,896	191,517,857	112,209,374	3,980,512	398,694,138
Hire Purchase Receivables**	1,620,892	1,862,824	962,203	-	-	4,445,918
Loans and Receivables from Other Customers**	343,632,755	193,441,360	157,391,430	79,301,763	3,628,659	777,395,971
Financial Assets Measured at FVOCI / Financial Investments - AFS	5,595,603	-	2,505,520	-	-	8,101,123
Total Interest Bearing Assets	438,421,170	266,318,080	352,377,011	191,511,137	7,609,171	1,256,236,570
Percentage 2019	35%	21%	28%	15%	1%	
Percentage 2018	41%	22%	23%	13%	1%	
Interest Bearing Liabilities						
Due to banks and financial institutions	48,509,429	-	-	-	-	48,509,429
Deposits Due to Customers	134,675,175	414,520,466	72,878,778	38,551,467	-	660,625,887
Total Interest Bearing Liabilities	183,184,605	414,520,466	72,878,778	38,551,467	-	709,135,316
Percentage 2019	26%	58%	10%	5%	0%	
Percentage 2018	49%	41%	4%	6%	0%	

* Which is included the balance of saving accounts.

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

31.4 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	2019	2018
	Rs.	Rs.
Rate Sensitive Assets (RSA)	1,256,236,570	1,504,503,875
Rate Sensitive Liabilities (RSL)	709,135,316	725,123,183
GAP (RSA-RSL)	547,101,254	779,380,692

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.

Notes to the Financial Statements

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 2019	Lowest Market Value for last 3 years	Effect to the Comprehensive Income if the market price drops to the lowest value
	Rs.	Rs.	Rs.
Banking & Finance	-	-	-
Hotels & Travels	-	-	-
Total	-	-	-

	Market Value as at 31st March 2018	Lowest Market Value for last 3 years	Effect to the Comprehensive Income if the market price drops to the lowest value
	Rs.	Rs.	Rs.
Banking & Finance	-	-	-
Hotels & Travels	550,554	550,554	-
Total	550,554	550,554	-

31.5 Operational Risk

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

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

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

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 [Risk Weighted Capital Adequacy Ratio] Direction No. 2 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 up to 30th June 2018 and with effect from 01st July 2018 the core capital ratio constituting not less than 6 percent of its risk weighted assets computed as per instructions issued by the CBSL.

Total Capital Base Computation

As at 31st March	2019 Rs.	2018 Rs.
Tier I : Core Capital		
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	[196,777,689]	[109,505,702]
Total Tier I Capital	718,252,872	805,524,860
Tier II : Supplementary Capital		
Eligible Approved Unsecured Subordinated Term Debt	-	-
Total Eligible Tier II Capital	-	-
Total Capital	718,252,872	805,524,860
Deductions		
Investments in capital of other banks	-	-
Capital Base	718,252,872	805,524,860
Total Risk Weighted Assets	1,144,066,039	1,213,779,566
Computation of Capital Adequacy Ratios		
Core Capital Ratio [Minimum Requirement 6%]	62.78%	66.37%
Core Capital x 100		
Risk Weighted Assets		
Total Risk Weighted Capital Ratio [Minimum Requirement 10%]	62.78%	66.37%
Capital Base x 100		
Risk Weighted Assets		

32 Related Party Transactions

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.

32.1 Transaction with related Companies

Name of the Company	Nature of relationship	Nature of transactions	Amount [Paid]/ Received 2019 Rs.	Amount [Paid]/ Received 2018 Rs.
Fairway Holdings (Pvt) Ltd	Significant shareholder	Building rent charges	-	[1,115,824]
		Other Reimbursement of expenses	[2,109,111]	[210,086]
		Granting of Lease facility	[7,350,000]	-
		Interest income recognised	999,937	-
Fairway Elements (Pvt) Ltd	Subsidiary of significant shareholder	Other Reimbursement of expenses	[2,506]	[311,063]
Fairway Telecommunication Towers (Pvt) Ltd	Subsidiary of significant shareholder	Other Reimbursement of expenses	[228,978]	[941,705]
Lakderana Investments Limited.	Subsidiary of significant shareholder	Building rent charges	[5,043,988]	[1,287,207]
		Other Reimbursement of expenses	[120,214]	-
		Other Reimbursement of expenses	999,085	-
Gowers Solutions (Pvt) Ltd	Common Director	Interest income recognised	214,972	450,748

Notes to the Financial Statements

Items In Statement of Financial Position

Name of the Company	Nature of relationship	Nature of transactions	Amount (Paid)/ Received 2019 Rs.	Amount (Paid)/ Received 2018 Rs.
As at 31st March				
		Reported Under Rental receivable on lease		
Fairway Holdings (Pvt) Ltd	Significant shareholder	Loan Outstanding	7,298,688	-
Gowers Solutions (Pvt) Ltd	Common Director	Loan Outstanding	726,187	1,945,668
		Reported Under Other payable		
Fairway Holdings (Pvt) Ltd	Significant shareholder	Reimbursement of expenses	379,229	-
Lakderana Investments Ltd	Subsidiary of significant shareholder	Reimbursement of expenses	16,980	-

32.2 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.

32.3 Key Management Personnel Compensation

As at 31st March	2019 Rs.	2018 Rs.
Short-term employee benefits	12,256,800	11,854,467
Total	12,256,800	11,854,467

32.4 Key Management Personnel Transactions

As at 31st March	2019 Rs.	2018 Rs.
Deposits held with the company	504,986	15,209,260
Total	504,986	15,209,260

33 Commitments

[a] Capital Commitments

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

[b] Financial Commitments

As at 31st March	2019 Rs.	2018 Rs.
Future payments of rentals		
- within 1 year	-	4,050,000
- between 1 to 5 years	-	-
- more than 5 years	-	-
Commitment for Unutilised Facilities	28,753,311	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 Rs.	Included Under
Fixed Deposits	Overdrafts	61,460,074	Placements with Banks and other financial institutions

34 Contingencies

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

35 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.

36 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 2019	Maturity Period					Total Rs.
	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.	
Assets/Liabilities						
Cash and cash equivalents	41,943,205	-	-	-	-	41,943,205
Placements with Banks and other financial institutions	61,460,074	-	-	-	-	61,460,074
Rental receivable on lease	19,972,497	71,013,896	191,517,857	112,209,374	3,980,512	398,694,138
Rental receivable on hire purchase	1,620,892	1,862,824	962,203	-	-	4,445,918
Advances and other loans	343,632,755	193,441,360	157,391,430	79,301,763	3,628,659	777,395,971
Other receivables	27,990,532	28,196,371	5,458,202	1,870,545	555,500	64,071,151
Reposessed Stock	15,443,999	-	-	-	-	15,443,999
Income tax receivables	-	4,992,927	-	-	-	4,992,927
Financial Assets Measured at Fair Value Through Other comprehensive income / Financial Investments - Available For Sale	5,595,603	-	2,505,520	-	2,500	8,103,623
Investment Property	-	-	-	-	16,142,750	16,142,750
Property, plant & equipment	-	-	-	-	31,827,815	31,827,815
Intangible assets	-	-	-	-	2,606,397	2,606,397
Deferred Tax Asset	-	-	57,442,409	-	-	57,442,409
Total Assets	517,659,557	299,507,378	415,277,622	193,381,682	58,744,133	1,484,570,377
Due to banks and financial institutions	48,509,429	-	-	-	-	48,509,429
Deposits due to customers	134,675,175	414,520,466	72,878,778	38,551,467	-	660,625,887
Other Payables	52,058,157	-	-	-	-	52,058,157
Retirement Benefit Obligation	-	-	-	-	4,891,980	4,891,980
Total Liabilities	235,242,761	414,520,466	72,878,778	38,551,467	4,891,980	766,085,453

Notes to the Financial Statements

As at 31st March 2019	Maturity Period					Total Rs.
	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	
	Rs.	Rs.	Rs.	Rs.	Rs.	
Rental Receivable on Lease						
Rentals Receivable	62,426,378	120,854,646	286,454,861	115,368,445	4,028,293	589,132,624
Unearned Income	(18,945,944)	(49,840,750)	(94,937,004)	(3,159,071)	(47,782)	(166,930,550)
	43,480,434	71,013,896	191,517,857	112,209,374	3,980,512	422,202,077
Rental Receivable on Hire Purchase						
Rentals Receivable	2,142,819	2,085,889	998,590	-	-	5,227,298
Unearned Income	(130,647)	(223,065)	(36,387)	-	-	(390,100)
	2,012,172	1,862,824	962,203	-	-	4,837,198

37 Segmental Analysis

As at 31st March	Lease & Hire Purchase		Loans		Pawning		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Income										
Interest Income	78,774,402	36,567,820	139,364,979	86,267,474	42,032,269	28,561,898	11,160,358	52,775,891	271,332,009	204,173,082
Other Income	9,290,867	9,085,002	12,669,449	11,744,214	1,132,266	1,164,327	2,957,222	9,250,028	26,049,804	31,243,570
Total Income	88,065,269	45,652,822	152,034,428	98,011,688	43,164,535	29,726,225	14,117,580	62,025,919	297,381,813	235,416,652
Unallocated Expenses									(376,001,235)	(269,354,894)
Profit/(Loss) Before Tax									(78,619,422)	(33,938,242)
Income Tax									15,510,831	16,987,657
Net Profit/(Loss) for the period									(63,108,592)	(16,950,585)
Segment Assets	403,140,056	346,556,340	559,431,542	694,304,657	217,964,429	156,432,576	170,214,524	296,784,494	1,350,750,551	1,494,078,068
Unallocated Assets									133,819,826	139,756,842
Total Assets	403,140,056	346,556,340	559,431,542	694,304,657	217,964,429	156,432,576	170,214,524	296,784,494	1,484,570,377	1,633,834,910
Unallocated Liabilities									1,484,570,377	1,633,834,910
Total Liabilities									1,484,570,377	1,633,834,910

38 Comparative Information

To facilitate comparison and where relevant, the balances pertaining to the previous year have been reclassified to confirm to the current year classification and presentation.

Reclassification of comparative Information

	Note	As Previously Reported	Reclassification	Current Presentation	
As at 31st March		2018 Rs.		2018 Rs.	2019 Rs.
Statement of Profit or Loss and Other Comprehensive Income					
Fee and commission income (Note 8)	(a)	22,270,734	(8,627,313)	13,643,421	15,185,357
Other income (Note 9)	(a)	8,972,836	8,627,313	17,600,149	10,864,447
Personnel cost	(b)	(67,598,026)	(17,027,760)	(84,625,786)	(115,395,597)
Other operating expenses	(b)	(80,875,276)	17,027,760	(63,847,517)	(100,476,734)

- (a) Termination Income on Lease, Hire Purchase & Loans of Rs. 8,627,313 reported under Fee and commission income previously has been re-arranged to Other income to confirm to the current year presentation.
- (b) Vehicle hire and lease rental of Rs. 13,493,157, Director fees of Rs. 2,279,032 and staff insurance of Rs. 1,255,351 reported under Other operating expense previously has been re arranged to personnel cost to confirm the current year presentation.

39 Non-Compliance With Central Bank Requirements

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

01. Minimum Core Capital Direction No 02 of 2017 issued on 23 February 2017
02. Finance Companies (Liquid Assets) Directions No 4 of 2013

The Company has incurred continuous losses accumulated as at 31 March 2019 to Rs. 196,777,689. A drastic slowdown in economic activities, as a result of unforeseen events, hampered the recovery process implemented by the Company for non-performing loans led to a higher impairment charge for the year ended 31 March 2019. However the Company has taken aggressive steps to expedite its recovery process and thereby improve its asset base.

The Company's target is to meet the core capital requirement through additional capital infusion in the form of equity by identifying a strategic investor. The Company has currently submitted its plans to the Central Bank and are awaiting necessary approval from the Central Bank, to go ahead with the identified strategic investor. Pending such approval the Central Bank has imposed certain restrictions which the Company will fully comply within a short frame. Given the above facts and as the Company has a positive net asset position of Rs 718,484,924. The directors are confident that the entity can continue as a going concern.

Investor Information

Top 20 Major Shareholders as at 31st March 2019

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	SANDWAVE LIMITED	606,440	0.95
4	ENTRUST LIMITED	186,000	0.29
5	LAUGFS GAS PLC	184,900	0.29
6	MISS. R. W. K. C. M. M. ANUSHKI SAMADHIE FERDINANDO	168,584	0.27
7	MR. MIGARA MUNASINGHE DISSANAYAKE	134,948	0.21
8	SEYLAN BANK PLC/MS.PRIME LANDS (PVT) LTD	125,421	0.20
9	MR. PUWAKGAHA ALLE GEDARA WEERAKOON BANDA	103,810	0.16
10	MR. WIJITHA NANDA ABEYSURIYA	76,081	0.12
11	FAIRWAY HOLDINGS PVT LTD	74,065	0.12
12	MRS. SAROJANI GUNASINGHE	58,000	0.09
13	MR. CHANDRASIRI THILAK MALIDUWA PATHIRANA	50,000	0.08
14	MERCHANT BANK OF SRI LANKA PLC/W.A.S.PABESIRIWARDANA	49,013	0.08
15	MR. PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.07
16	MR. PALLEWATTHA GAMARALALAGE WIJAYANANDA SIRISENA	38,000	0.06
17	MR. KOSALA MUNASINGHE DISSANAYAKE	32,600	0.05
18	MERCHANT BANK OF SRI LANKA PLC/S M PATHIRANAGE	32,515	0.05
19	MR. MUSHTAQ MOHAMED FUAD	30,770	0.05
20	MRS. MENAKA PRIYADHARSHANI RAJAPAKSE	30,000	0.05
	Directors' Shareholding	34,966	0.05
	Other Shareholding	1,403,007	2.21
	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 31.03.2019

Option	Float adjusted market capitalization [Rs.Bn]		Public holding percentage [%]		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding [%]	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	Rs. 0.39 Bn.	10%	35.20%	200	824

Distribution of Shareholding as at 31st March 2019

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	578	126,693	0.20	6	2,700	0.004	584	129,393	0.20
1,001 To 10,000 Shares	190	718,986	1.13	1	5,000	0.01	191	723,986	1.14
10,001 To 100,000 Shares	44	1,099,438	1.73	0	-	0.00	44	1,099,438	1.73
100,001 To 1,000,000 Shares	6	903,663	1.42	1	606,440	0.95	7	1,510,103	2.37
Over 1,000,000 Shares	2	60,147,261	94.56	0	-	0.00	2	60,147,261	94.56
Total	820	62,996,041	99.03	8	614,140	0.97	828	63,610,181	100.00

Category	No of Shareholders	No of Shares	%
Institutional	53	61,698,807	97.00%
Individual	775	1,911,374	3.00%
Total	828	63,610,181	100.00%

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.P. ABESIRIWARDANA	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.	Rs. 0.31 Bn.	10%	35.20%	200	847

DIRECTORS SHAREHOLDING

Name	As at 31.03.2019 Ordinary Shares	As at 31.03.2018 Ordinary Shares	
1 Mr. E.K.I. De Zoysa	Nil	Nil	
2 Mrs. C.J.Atapattu	20,575	20,575	
3 Mr. P.Jayasundera (Director/CEO)	Nil	Nil	
4 Mr. Imal Fonseka	Nil	Nil	
5 Mr. P.Abeysekara	Nil	Nil	
6 Mr. W.Lakshman	14,391	14,391	
7 Dr. R.A. Fernando	Nil	Nil	
8 Mr. Prasann Leanage	Nil	Nil	Resigned w.e.f. 15th May 2018
9 Mr. Shelton Peiris	Nil	Nil	Resigned w.e.f. 30th September 2018

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting 2019 of Multi Finance PLC will be held on Friday, 27th September 2019 at 2.30 p.m. at the Lecture Hall 8, 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 2019 together with the Report of the Auditor's thereon.
2. To re-elect Mr. Imal Fonseka who retires by rotation in terms of Article 87 of the Article of Association of the Company and being eligible, offers himself for re-election as a Director
3. To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors to the Company and to authorize the Directors to determine their remuneration.
4. To authorize Directors to determine contribution to Charities.

By Order of the Board

MULTI FINANCE PLC



Mrs. C. Salgado

Company Secretary

28th August 2019

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.....

bearing NIC No.....being a member/members of Multi Finance PLC hereby appoint,

Mr. Kuvera De Zoysa	or failing him
Mrs.Champika Atapattu	or failing her
Mr. Pushpike Jayasundera	or failing him
Mr. Imal Fonseka	or failing him
Mr. Lakshman Wanniarachchi	or failing him
Mr. Palitha Abeysekara	or failing him
Dr. Ravi. Fernando	or failing him

.....
of.....

bearing NIC No.....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 Friday, 27th September 2019 at 2.30 p.m. at the Lecture Hall 8, Sri Lanka Foundation, No.100, Padanama Mawatha, Independence Square, Colombo 07, and at any adjournment thereof.

Signed this day of 2019.

	For	Against
1. Receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2019 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. Imal Fonseka who retires by rotation in terms of Article 87 of the Article of Association of the Company and being eligible, offers himself for re-election as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of the Auditors KPMG and to authorize the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. 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 filing 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, No. 100, Buthgamuwa Road, Rajagiriya and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 2.30 p.m on 25th September 2019.
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 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.

Accounting Year-end

31st March 2019

Board of Directors

Mr. E. K. I. De Zoysa	- Chairman/Independent, Non-Executive Director
Mr. P. Jayasundera	- CEO/ Non-Independent, Executive Director
Mrs. C. J. Atapattu	- Non-Independent, Executive Director
Mr. Imal Fonseka	- Non-Independent, Non-Executive Director
Mr. P. Abeysekara	- Non-Independent, Non-Executive Director
Mr. W.Lakshman	- Non-Independent, Non-Executive Director
Dr. R.A. Fernando	- Independent, Non- Executive Director [Has tendered his resignation in February 2019]
Mr. M. Shelton Peiris	- Independent, Non- Executive Director [Resigned w.e.f. 30th September 2018]

External Auditors

M/S. KPMG, Chartered Accountants

Internal Auditors

M/S. PricewaterhouseCoopers, Chartered Accountants

Bankers

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

Company Secretary

M/s Business Intelligence (Private) Limited

Registered Office

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

Business Office

"The Fairways",
No.100,
Buthgamuwa Road,
Rajagiriya
Tel : +94-11-4645555
Fax : +94-11-4645564
E-mail : info@multifinance.lk
Website : www.multifinance.lk

Designed & produced by

emagewise

Digital plates and printing by Printage (Pvt) Ltd



"The Fairways",
No.100, Buthgamuwa Road, Rajagiriya
Tel: +94-11-4645555
Fax: +94-11-4645564
E-mail: info@multifinance.lk
Website: www.multifinance.lk