MULTI FINANCE

POWERING AHEAD

Annual Report 2019/20

"POWERING AHEAD"
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POWERING AHEAD

Persistence, patience and planning-three words that sum up the progress we have made during our 45-year history and the success we plan to share over years to come. With a culture that thrives on innovation and commitment, we have positioned ourselves as one of Sri Lanka's leaders in financial services.

Despite facing challenging macro-economic conditions last year, we powered ahead owing to a sharp growth strategy that enabled us to drive sustainable growth and uplift the lives of rural farming communities. With a well-consolidated year behind us, today we're powering ahead in to the future with a promise to keep delivering enduring value to our stakeholders.

CONTENTS

Vision

To be the first choice for financial solutions.

Mission

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

About Multi Finance

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

Multi Finance PLC has long been a source of strength and support for people to grow. For over forty five (45) years, we have grown in stature and retained the confidence and trust of thousands of Sri Lankans from all across the island, partnering them in our bold vision. To be the first choice for financial solutions for everyone, everywhere. We are proud of how we have realised this vision today; the passion and commitment we have brought to our work, the good governance and integrity that have enabled us to help so many people to help themselves.

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

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 45 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 favourable than an overdraft from a traditional commercial bank.

Leasing

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

Hire Purchase

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

Gold Loans

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

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

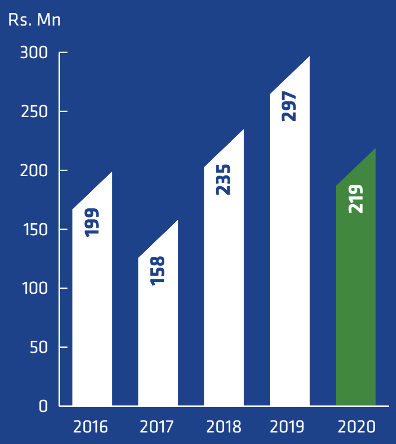
Among the most unique products in our portfolio, our trader finance products are designed to serve the needs of micro-traders, backed by a specially designed evaluation and disbursement protocol that enables the extension of short-term financial facilities within just 24-hours from application.

PERFORMANCE HIGHLIGHTS

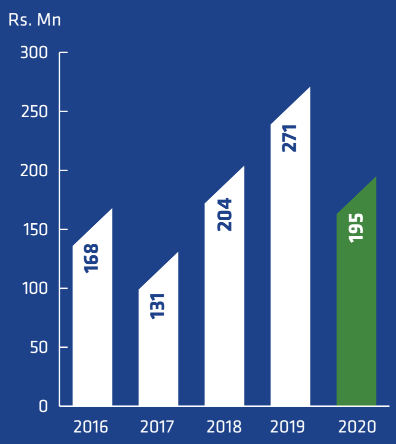
	2019 / 2020	2018 / 2019	Change (%)
Operating Results (Rs.)			
Income	**218,656,172**	297,381,813	(26.47)
Net Interest Income	**111,892,693**	171,266,586	(34.67)
Net Income from Operations	**135,833,999**	197,316,390	(31.16)
Net Profit/(Loss) after Tax	**(141,735,790)**	(63,108,591)	124.59
Accumulated Profit/(Loss)	**(338,127,145)**	(196,777,689)	71.83
Financial Position (Rs.)			
Total Assets	**1,194,722,216**	1,484,570,377	(19.52)
Interest Earning Assets	**977,847,564**	1,256,236,570	(22.16)
Lending Portfolio	**861,735,729**	1,180,536,027	(27.00)
Share Holders' Funds	**577,150,615**	718,484,924	(19.67)
Public Deposits	**510,706,106**	660,625,887	(22.69)
Borrowings	**15,539,586**	44,298,862	(64.92)
Investor information (Rs.)			
Earnings/(Loss) per Share	**(2.23)**	(0.99)	124.59
Net Assets Value Per Share	**9.07**	11.30	(19.67)
Dividend per Share	**Nil**	Nil	-
Financial Indicators			
Return on Assets (after tax) (%)	**(10.58)**	(4.05)	161.40
Return on Average Shareholders' Funds (%)	**(21.88)**	(8.28)	164.23
Debt : Equity Ratio (Times)	**0.03**	0.06	(56.33)

Statutory Ratios (%) / Requirements	Minimum Requirement	Actual
Core Capital Ratio	6.5%	54.6%
Total Risk Weighted Capital Ratio	10.5%	54.6%
Liquid Assets	10.1%	17.6%

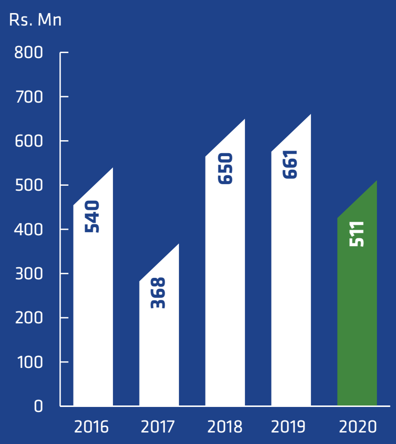
Market Value per Share	Rs.
Highest value recorded during the Financial Year	19.90
Lowest value recorded during the Financial Year	8.50
Closing value at the end of Financial Year	8.60



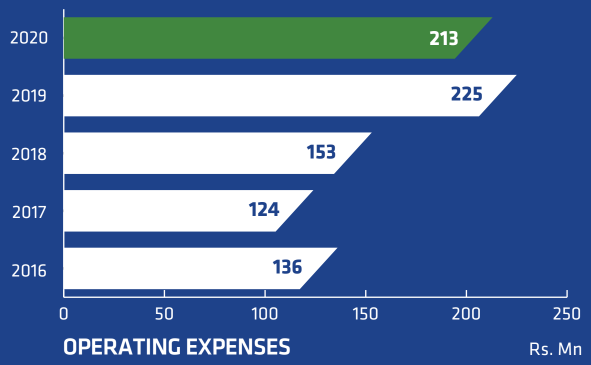
TOTAL INCOME



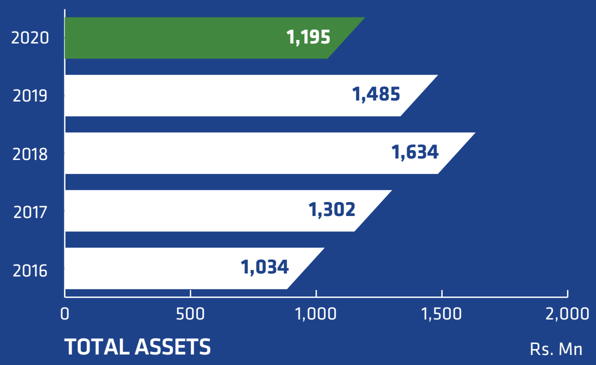
INTEREST INCOME



PUBLIC DEPOSITS



OPERATING EXPENSES



TOTAL ASSETS

Total Public Deposits

Rs. 510.7 Mn

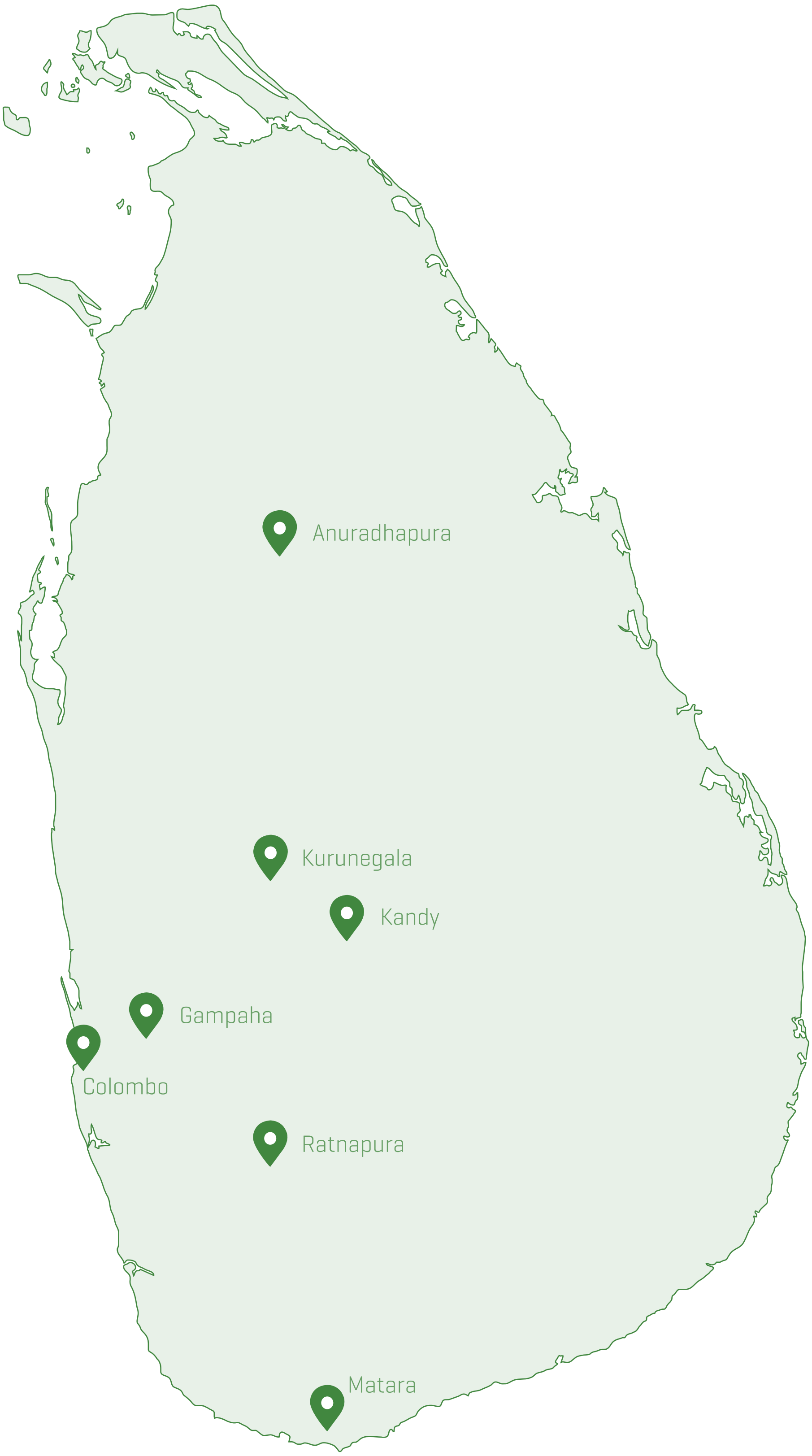
Total Assets

Rs. 1194.7 Mn

Total Income

Rs. 218.6 Mn

BRANCH NETWORK



HONOURS & ACHIEVEMENTS

For over four decades, we have maintained an unblemished record in terms of trust and delivery standards.

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.

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.

EXECUTIVE REPORTS

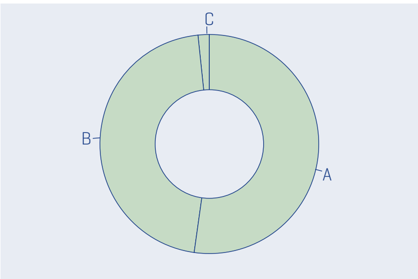
CHAIRMAN'S STATEMENT

Unprecedented **challenge,** unshakable **resilience**

Total Assets

Rs. 1194.7 Mn

Funding Mix (Company)



A - Share Holders' Funds		52.3%
B - Public Deposits		46.3%
C - Borrowings		1.4%

An encouraging sign in the midst of these challenging conditions was the fact that customer deposits remained as the major component of the sector's liabilities, while the asset growth that was secured during this time was also funded mainly through deposits.

At the outset, we must take this opportunity to thank our outgoing Chairman, Mr. Kuvera De Zoysa providing a guiding vision for the Company through periods of immense external volatility, and ultimately in placing the Company on a much stronger footing to face challenges and capitalise on opportunity.

The year in review was filled with historic challenges, starting with the tragic loss of life from the Easter attacks of 2019 and the significant economic disruptions resulting from it over the subsequent months. Just as the national economy was starting to show signs of recovery, it was rocked by a first wave of disruption arising from the emergence of the COVID-19 pandemic in the final quarter of the financial year.

These created unprecedented challenges across almost every section of the national economy, resulting in the contraction of GDP growth to a 10 year low of 2.7% YoY in 2019, as compared with a sluggish 3.2% YoY in 2018.

Among the worst affected sectors of the national economy was the Services sector which saw growth reduce from a healthy 4.7% YoY in 2018 down to just 2.6% YoY by the end of the year in review, with the tourism sector being among the most severely impacted.

Adverse weather, and the further disruption to supply chains connected to the tourism sector curbed the pace of growth in the agriculture sector to 3.4% YoY, as compared with a prior 4.8% YoY. Meanwhile, the industrial sector recorded a significant rebound in growth up to 2.6% YoY, as compared with in growth of just 0.9% in 2018, driven by improved performances in the textile and apparel sector – which recorded a 278.8% YoY expansion in export value over the year in review, and supported by increasing investments in public and private sector construction projects.

Inflation was contained at mid—single digit levels, however food inflation recorded a sudden spike up to 8.6% in December and hit 13.7% in January 2020 – the highest levels for food inflation since 2017.

Meanwhile, a sharp 10.3% YoY contraction in import expenditure supported marginal improvements in the country's trade deficit from USD 10.3 billion down to USD 8 billion together with minor improvements in export performance.

External sector performance was hindered by the sharp 18% YoY contraction in tourism earnings down to USD 3.59 billion and a further 4.3% YoY contraction in worker remittances down to USD 6.72 billion.

Notably, the Sri Lankan rupee appreciated by 0.6% YoY for the first time in several years, supported in part by the disbursement of International Monetary Fund (IMF) Extended Fund Facility. This resulted in an expansion of gross official reserves up to US$ 7.6 billion, equivalent to approximately 4.6 months of import cover. Meanwhile Sri Lanka's Debt:GDP ratio continued to edge upwards to a near decade long high of 66.6% in 2019.

In response to these unprecedented disruptions, the Central Bank of Sri Lanka (CBSL) quickly moved to stimulate growth with the easing of monetary policy tightening which had prevailed for over two years prior.

Following the conclusion of Presidential elections in 2020, the Sri Lankan economy had initially shown promising signs of recovery, however the COVID pandemic reversed all gains made subsequent to April 2019.

While the Sri Lankan economy had initially been projected to grow at a rate of 3.3% YoY, these projections were revised down to 1.5% YoY by the CBSL while many anticipate a local and global economic recession in 2020, particularly in the instance that a second wave of COVID-19 infections is to take place.

CONSTRAINED BUT STABLE INDUSTRY DYNAMICS

Even with these disruptions, the nation should take pride in the immense resilience displayed by the banking and financial sector. While credit quality and profitability moderated during the year, the sector was still able to prevail in terms of maintaining capital and liquidity well above the regulatory minimum requirement, and ably supported by appropriate regulatory and supervisory measures.

Tight market conditions did however present undeniable challenges for the entire BFSI sector, as growth in banking sector assets eroded and Non-Performing Loans increased in parallel to demand for credit. Total borrowings of the banking sector, both in terms of the Sri Lankan rupee and foreign currency, decreased in 2019 compared to an increase recorded in 2018. Meanwhile, the profitability of the banking sector, as reflected by the Return on Assets (ROA) ratio and Return on Equity (ROE) ratio declined significantly during the year mainly due to the deterioration in assets quality, rise in operating costs and increase in taxes.

These results were parallel in the performance of the non-banking financial sector which saw total assets across Licensed Finance Companies and Specialised Leasing Companies increasing by a marginal 0.1% YoY up to Rs. 1.43 trillion, as compared with 5.6% YoY growth in the previous year.

With the continuation of efforts to curtail non-essential imports – particularly with respect to vehicle importation – and a general curtailing of commercial activity owing to the challenging market dynamics, lending activities within the sector also showed signs of slowing down.

Consequently, credit supplied from the sector contracted by 3% YoY down to Rs. 1.1 trillion – representing a significant curtailing of activity when compared with the 7.6% YoY growth recorded during the corresponding period of 2019.

An encouraging sign in the midst of these challenging conditions was the fact that customer deposits remained as the major component of the sector's liabilities, while the asset growth that was secured during this time was also funded mainly through deposits – which accounted for more than half of all liabilities. This trend stands out as a sign of remarkable stability witnessed in the Non-banking financial sector, given that customers still turn to our industry as a trusted store of value, even in such uncertain times.

CHAIRMAN'S STATEMENT

Especially given the extreme challenges arising from our operating environment, our shareholders will be pleased to note that Multi Finance PLC (MFPLC) has continued to rise to every challenge while protecting the interests of our customers and driving significant consolidation of its efforts to optimise operations, which in turn served to mitigate negative financial impacts to its top and bottom line.

CONSOLIDATING OPPORTUNITIES, TARGETING NEW BENCHMARKS

Especially given the extreme challenges arising from our operating environment, our shareholders will be pleased to note that Multi Finance PLC (MFPLC) has continued to rise to every challenge while protecting the interests of our customers and driving significant consolidation of its efforts to optimise operations, which in turn served to mitigate negative financial impacts to its top and bottom line.

Among the most notable successes of the past financial year was seen in our efforts to secure additional foreign funding in order to comfortably meet the Central Bank of Sri Lanka's capital adequacy requirements. While these investments were slightly delayed following the emergence of the COVID-19 pandemic, we have utmost confidence that these matters can be speedily resolved in the coming months, which will bring the Company back into complete compliance with all of its statutory and regulatory obligations.

Another critical concern for the organisation was in future-proofing our business and operating model, and here too, we have made significant strides with the introduction of new fin-tech models. These strategies were further optimised during the year in review with breakthrough partnerships with Mobitel and Lanka Pay. Additionally, the Company is developing digital variants of all of its products and services. Particularly at a time when the need of the hour is to ensure social distancing, such measures will be pivotal to the continued growth of MFPLC.

It is also important to consider that the Company has maintained liquidity levels well above the standards prescribed by the Regulator. Especially in the face of such challenging market conditions and the increasing delinquency levels - as reflected in rising Non-Performing Assets and Non-Performing Loans - created by deteriorating market conditions, this was a significant achievement. Our success in this regard can be credited in part to the strong improvements to collections, supported by back-end improvements to the Company's IT and administrative processes.

With the emergence of the COVID-19 pandemic, the Company – just as all in all other sectors of the economy – was compelled to adapt and innovate at an unprecedented pace. These measures were significantly bolstered by prior investments into the Company's IT infrastructure. We also sought to do our part in supporting customers facing difficulties are a result of the pandemic, in particular with the introduction of loan moratoriums as directed by the Central Bank of Sri Lanka, even with the significant negative impacts to income that such measures created.

Given the company's strong linkages to local entrepreneurs, these measures proved highly impactful in supporting and strengthening the rural economy, and moving ahead, the Company remains fully committed to serving this essential segment of the Sri Lankan market.

BUILDING THE RESILIENCE NEEDED TO FACE AN UNCERTAIN FUTURE

Over the year in review, our nation has endured historic challenges and throughout we have shown incredible resilience and adaptability. These are the same values which has empowered MFPLC to also endure in the face of immense volatility. Looking ahead, the disruptions that took place after the COVID pandemic will be most intensely felt over the next financial year, however, we take great encouragement from the outstanding response of the Government in containing the pandemic, ensuring the safety and wellbeing of its citizens, and laying the foundations for a strong recovery.

A great deal about how our organisation and our industry will perform the coming year hinges on the developments which take place in the coming months. In that time, we expect disruptions caused by COVID to continue, albeit at a lower intensity than in the first few months of the lockdown.

In this uncertain 'new normal' technology, customer centricity and an empowering engagement with the grassroots of the Sri Lankan economy will be the key determining factors for success. Hence while we continue to anticipate significant challenges for MFPLC in the months ahead, we also see the potential for unprecedented new opportunities enabled by an increasingly dynamic, technology-empowered SME sector.

A key focus for the Company in that regard will be the pursuit of newly opened avenues of business that have emerged with increasing demand for products and services that are economically, socially and environmentally sustainable. With the COVID-19 pandemic anticipated to continue well into the next year if not longer, social distancing and a growing reliance on convenient, impactful and above-all accessible digital financial services will become a valuable enabler of growth in the Sri Lankan economy.

As a recovery takes hold, there will also be a strong underlying demand for financial services to rejuvenate and revitalize enterprises, that will in turn power the wider economy into a new era of prosperity. Our first priority in this emerging paradigm will be to optimally position MFPLC to capitalise on these opportunities in a powerful but sustainable manner. Powered by the infusion of new foreign funding, which we are confident of securing within the first half of the next year, we believe that MFPLC will be able to secure a bold path to recovery, parallel to that of the Sri Lankan economy.

ACKNOWLEDGEMENTS

In concluding, The Board joins me in thanking the entire team ably lead by our CEO Pushpike Jayasundara for their prudent approach during volatile times. Special efforts made to ensure the continuity and stability of our operations throughout a year of immense and unprecedented challenges is appreciated. This has enabled our organisation to always retain the trust and confidence of our customers.

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

I also wish to place on record our gratitude and appreciation to the owners and managers of Fairway Holdings for their support of our company and its vision for a new kind of financial services that is fundamentally based on ethics and sustainability. Together with our resolute Board of Directors we look forward with great anticipation to a bright and prosperous future of inspired social enterprise.

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

Thank You

Mr. Imal Fonseka
Pro tem Chairman

31 August 2020

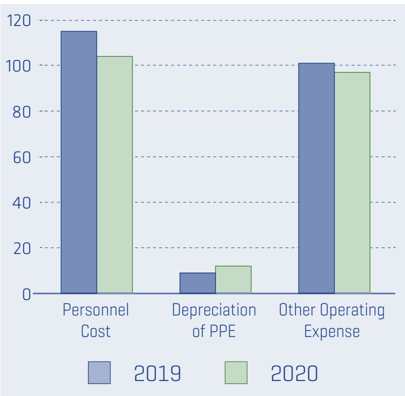
CHIEF EXECUTIVE OFFICER'S STATEMENT

We remain confident and optimistic about the Company's growth potential in the coming years. The investments that we have made into enhancing our technological capabilities in order to streamline administration and enhance service delivery to customers has come at a critical moment, and just in time to support the unprecedented requirement for enabling digital financial services.

Total Income

Rs. 218.6 Mn

Operational Expenses Movement (Rs. Mn.)



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 2020. The period in review has been a time of historic uncertainty both locally and globally. Despite the immense challenges which emerged during the past year, our organisation has delivered a steadfast performance, all while accelerating the technological transformation of our business and operating model.

OPERATIONAL HIGHLIGHTS

We commenced the year with the intention of consolidating on these efforts through the further digitisation of our product and service portfolio and the introduction of new fin-tech models achieved through partnerships with Mobitel and Lanka Pay that created compelling additions to our service capabilities.

Tragically, just as the year had commenced, the entire nation was left in shock and dismay in the wake of the deadly Easter attacks. Significant economic disruptions were recorded in the following months, most acutely impacting the tourism and hospitality sector and related enterprises.

Given these conditions – both at the grassroots and macroeconomic level – the entire financial sector was also affected as money circulation decreased across the entire economy, leading to a low appetite for credit and investment. All of these challenges hampered efforts to enhance lending portfolios, particularly in the first two quarters, which lead to below average growth.

Given these unprecedented challenges, our key operational goals for the year were focused on further enhancing our digital capabilities in order to curtail costs internally and optimise resources, while providing customers with the ability to securely, reliably, and conveniently access our services through digital channels.

In order to ensure prudent management of finances and ensure a strong liquidity position, MFPLC also curtailed growth of its deposit base. Particularly given the unprecedented challenges which emerged during the year, our shareholders will be pleased to note that these efforts enabled the Company to maintain liquidity well above the standards prescribed by the regulator; a true testament to the continuing resilience of Multi Finance PLC.

In addition, maintaining the quality of the existing portfolio another crucial task in the face of deteriorating economic conditions and high delinquency levels – which impacted the entire NBFI and banking sector. Despite NPAs rising across the board, MFPLC was successful in maintaining required asset quality during the year, driven by strong customer relationships and improvements to the management of collections.

IMPACT OF COVID-19

As the end of the financial year approached, the nation had once again displayed its strength having secured a highly commendable economic recovery. With the successful conclusion of Presidential elections, the outlook for the domestic economy was once again on the rise.

Meanwhile, MFPLC was entering the final stages of discussions in to complete a capital infusion when the COVID-19 pandemic emerged.

As the entire economy went into an immediate shut down, contractions in asset base were recorded across the entire financial services sector, compounding negative impacts to NPAs and limiting new business generation. This resulted in sharp disruptions to interest income as the Company supported Government efforts to mitigate disruptions to the worst impacted with the introduction of moratoriums and relief packages. However, this meant that MFPLC had to forgo as much as 67% of its interest income.

Despite these extremely difficult circumstances during which the entire country was locked down and branches closed, the company managed to overcome all obstacles in order to ensure that our funds were well managed while all commitments to deposit holders were honored without exception, utilising internal resources and crucially, without having to draw on any kind of assistance from the regulator or any other parties.

FINANCIAL HIGHLIGHTS

Following the wake of these unprecedented challenges, income during the period in review recorded a 26.5% Year-on-Year (YoY) contraction down to Rs. 218.7 million, while Net Interest Income (NII) declined by 34.7% YoY down to Rs. 111.9 million. Meanwhile, Fee and commission income reduced from Rs. 15.2 million down to Rs. 13.1 million while Net Income from Operations reduced by 31.1% YoY down to Rs. 135.8 million.

Unlike in previous years, Interest income during the period in review was driven primarily by gold loan which accounted for Rs. 63 million, as compared with a lower Rs. 42 million in 2019. Notably this together with reverse repurchase agreements were the only lines of business to record an increase in interest income during the period in review.

Previously, the Company's loans accounted for the highest interest income generation, amounting to Rs. 131.5 million in 2019, as compared with a substantially lower Rs. 60.3 million in 2020. Another core sector of the business, lease finance, also recorded a contraction in interest income, down from Rs. 77.5 million to Rs. 55.9 million while loans against fixed deposits reduced from Rs. 7.83 million down to Rs. 6.04 million.

Meanwhile, Hire Purchase income contracted from Rs. 1.24 million down to Rs. 246,870 as a result of discontinuing the product, while Reverse Repurchase agreements generated increased interest income of Rs. 3.51 million, as compared with Rs. 1.20 million in 2019. Another notable improvement was seen in the Company's Money Market and Savings Interest, which generated Rs. 1.45 million in income, as compared with a previous Rs. 0.34 million previously.

Given these significant shifts in core business, our key priority during this time was therefore to secure positive cash flow from operating activities while consolidating on strong liquidity levels, in addition to ensuring that all obligations and day-to-day commitments were met without any difficulties.

CHIEF EXECUTIVE OFFICER'S STATEMENT

In that regard, it is commendable that the Company was able to deliver a significant reduction in operating expenses down from Rs. 224.7 million down to Rs. 212.6 million during the period in review. Meanwhile, constrained market conditions resulted in a reduction of the Company's lending portfolio from Rs. 1.18 billion down to Rs. 861.7 million. Public deposits contracted by 22.7% YoY down to Rs. 510.7 million Interest Earning Assets reduced by 22.2% YoY to Rs. 977.8 million and the Company's Total Asset base contracted by 19.5% YoY down to Rs. 1.19 billion.

However, despite the best efforts of our team, the severe constraints on growth across the industry as a result of historic volatility during the year in review resulted in MFPLC continuing to record negative bottom line performances as Net Loss After Tax expanded sharply from Rs. 63.1 million to Rs. 141.7 million taking into account the impact created by the pandemic on the net interest income, while losses per share expanded from Rs. 0.99 down to Rs. 2.23, and accumulated losses expanded by 71.8% YoY up to Rs. 338.1 million.

The recorded loss was also a result of the fact that the company was unable to reach its minimum portfolio level of Rs. 2 billion due to capital restraints arising from the postponement of the capital infusion which would have otherwise been completed by the end of the year in review.

Having already established the structures and operational processes and procedures necessary to secure growth in future, we anticipate an increase the portfolio up to a minimum of Rs. 2 billion in the coming year no sooner the required capital is being infused to the company.

Another significant achievement to consider during this time was the successfully maintenance of the company's obligations with regard to regulatory liquidity requirements of 10.1% while maintained at 17.6%.

OUTLOOK

Over the years, Multi Finance PLC has endured and ensured that its customers have thrived in the face of tremendous challenges, with the year in review being possibly among the most challenging in our company's entire history, as it was for the entire financial services segment, and all of Sri Lanka.

Despite these challenges, we remain confident and optimistic about the Company's growth potential in the coming years. The investments that we have made into enhancing our technological capabilities in order to streamline administration and enhance service delivery to customers has come at a critical moment, and just in time to support the unprecedented requirement for enabling digital financial services.

This is of particular significance given the urgent need to ensure that the economy is stimulated at the grassroots to secure a V-shaped recovery for Sri Lanka while ensuring strict social distancing and other critical health and hygiene measures in order to combat the spread of the COVID-19 virus.

Even more than the Easter attacks, the disruptions caused by the pandemic will extend far beyond the new financial year, and much of any nation's economic recovery will be closely determined by its success in combatting the virus and protecting the health of citizens, frontline responders and essential workers.

Moving forward, the economy will be increasingly focused on domestic production to fuel local and export markets. Our industry will doubtless have a critical role to play, given that almost 52% of the country's economy is catered to by the NBFI sector – particularly in relation to powering the local industries and enterprises that hold the potential to reinvigorate our economy.

Despite the best efforts of our team, the severe constraints on growth across the industry as a result of historic volatility during the year in review resulted in MFPLC continuing to record negative bottom line performances.

These are strategic outcomes which MFPLC is ideally positioned to assist, given our continuous digitisation, parallel to our introduction of sustainable financing tools and green-financing products – all of which will be major priorities in the 'new normal'.

In order to achieve this potential and optimise our support to the grassroots of the Sri Lankan economy, the most critical factor that needs to be addressed is our need for further capital, and despite the prevailing uncertainty, we remain in close contact with our investor, and while the pandemic had resulted in a temporary delay to this capital infusion, we are confident of securing this investment in the coming months.

In such a situation, we believe that the future for MFPLC is extremely bright and we will use this rejuvenated ability to channel support to grassroots growth, provide assistance to emerging businesses and entrepreneurs, while delivering digitised products and services capable of significantly strengthening the rural economy.

Since we have taken the lead on green financing, our focus will be on products that are economically feasible, in demand from society and supportive of environmental sustainability. A key focus in that regard will be in assisting the nation and its enterprises to transition away from fossil fuels, through the facilitation of investments in plug-in hybrids, full electric, vehicles and conversion from gasoline to sustainable energy.
This is the future and Multi Finance PLC aims to be at the forefront of this radical transformation.

ACKNOWLEDGMENTS

In concluding, we wish on behalf of the entire family of employees at Multi Finance PLC to acknowledge and express our heartfelt gratitude to our outgoing Chairman, Mr. Kuvera De Zoysa for his yeomen service and invaluable guidance to myself, the Board, and the entire organisation during his outstanding 9 year tenure.

We are also fortunate to welcome our incoming Chairman, Mr. Imal Fonseka who is himself a highly respected, dynamic, and visionary leader on whose expertise we have already come to rely on in finalizing plans for capitalisation of the organisation. We wish him the best of luck in his position, and we eagerly look forward to growing the business to new heights under his leadership.

We also 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.

Similarly, we recommit ourselves as an organisation 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 – especially in the difficult weeks and months ahead.

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

Pushpike Jayasundera
Director/Chief Executive Officer

31st August 2020

THE BOARD OF DIRECTORS

Mr. Imal Fonseka

The Pro tem Chairman
Independent, Non-Executive Director

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

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

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

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

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

Mr. 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 25 years' experience in the fields of banking and finance.

He commenced his career as a Financial Executive in a reputed Non-Banking Finance Institution (NBFI) and subsequently worked in two reputed banks for more than 15 years, namely HNB and Union Bank. He has experience in the areas of retail and corporate credit, project financing, factoring, leasing, margin trading, hire purchase, gold loan and recoveries. He was instrumental in establishing the entire leasing operation at Union Bank and developed its IT system which consists of online credit approval and a 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%.

Mrs. Champika Atapattu
Non-Independent Executive Director

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 recording 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 specialised in BPR (Business Process Re-engineering) system re-designing.

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

Ms. Atapattu who was appointed to the Board in August 2002 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 holds further exposure in secretarial work and in addition to her experience in the field of conveyancing.

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

THE BOARD OF DIRECTORS

Mr. Senaka De Saram
Independent, Non-Executive Director

Mr. Palitha Abeysekara
Non-Independent, Non-Executive Director

Mr. Senaka De Saram obtained his primary education at S. Thomas' College Mount Lavinia and thereafter graduated from the University of Colombo obtaining his Bachelor of Law degree from the University of Colombo. Mr. De Saram enrolled as an Attorney at Law in the year 2002 and has been practising in the areas of Civil and Commercial Law for a period of over 17 years. Mr. De Saram obtained his Masters in Law also from the University of Colombo. Mr. De Saram is also Associate Member of the Chartered Institute of Management Accountant (UK) commonly known as CIMA for the year 2008.

Mr. De Saram has been appointed to the committee to study and recommend proposals to amend the procedural rules and relevant laws to cater the court automation.

Mr. De Saram is a life member of the Bar Association of Sri Lanka since 2002 and presently a member of its financial committee. Mr. De Saram was appointed as the Chairman of the Junior National Law Conference in the year 2004 which is now one of the key events of the Bar Association of Sri Lanka. Mr. Senaka De Saram was appointed as the Convenor of the National Law Conference for the year 2018. Mr. De Saram was appointed as a member of the Finance and Procument Committee of the Bar Association of Sri Lanka since 2018. Mr. De Saram has also been appointed as the Convenor of the Committee on Digitalisation of Courts of the Bar Association of Sri Lanka. Mr. De Saram has also been nominated by Bar Association of Sri Lanka to be appointed as a member of the advisory committee for the Urban Settlement Development Authority.

Mr. De Saram is a member of the election committee of the National Sports body for Rowing in Sri Lanka and a national selector for rowing in Sri Lanka for the last three years.

Mr. De Saram has been invited to conducted lectures on Debt Recovery, Apartment Ownerships Law, Parate Execution Law, Media Freedom. Labour Law and Accounting procedures at various forums for the benefit of the legal fraternity as well as for Law Students.

Mr. 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.

CORPORATE MANAGEMENT TEAM

Pushpike Jayasundera
Director/Chief Executive Officer

Saminda Ratnayaka
Assistant General Manager

Asanka Melroy Galbadaarachchi
Chief Financial Officer

Duminda Priyashantha
Manager - Gold loans

Jayanthi Jayasuriya
Senior Manager –
Fund Mobilization

Venura Ruhunage
Manager - IT

Ruchira Perera
Head of Recoveries & Investigations

Nirmala De Silva
Senior Manager – Legal

MANAGEMENT TEAM

Jeewana Yapa
Branch Manager - Matara Branch

Prasanna Wijethilaka
Acting Branch Manager - Anuradhapura Branch

Sriyanga Lakmal
Branch Manager - Gampaha Branch

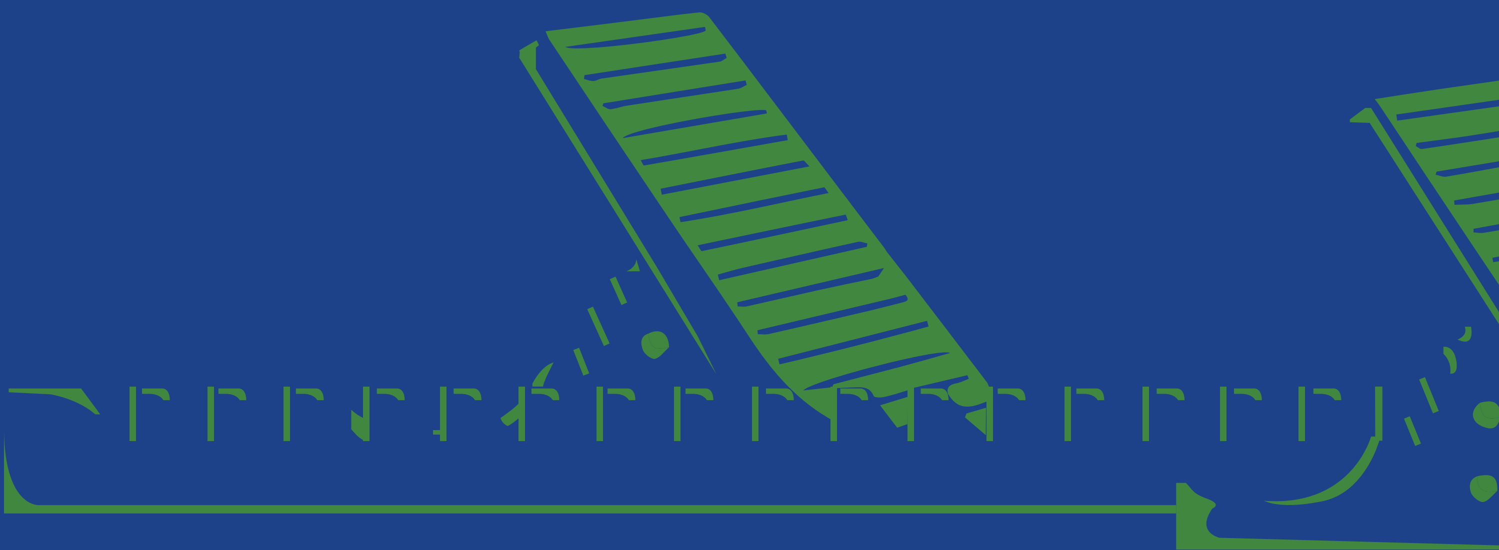
Kasun Ekanayake
Acting Branch Manager - Kandy Branch

Janaka Fernando
Branch Manager - Rathnapura Branch

Sampath Goonawardena
Assistant Manger - Kurunegala Branch

Gayani Ravindrakumar
Personal Assistant to Director / CEO

MANAGEMENT REPORTS



MANAGEMENT DISCUSSION & ANALYSIS

DOMESTIC ENVIRONMENT

The year in review was characterized by persistent economic volatility as the economy reached its lowest point in over a decade with GDP dropping from a previous low of 3.2% in 2019 down to 2.7% by the end of 2019. This unprecedented weakness was driven in part by a continuous constrains in domestic economic conditions from previous years, and exacerbated by mass disruptions to economic activity following in the wake of terrorist attacks in April 2019, and its resulting negative impacts on the tourism and hospitality sector.

SECTORAL PERFORMANCE

These dynamics resulted in the Services sector growth rate dropping by almost half down to 2.6% Year-on-Year (YoY), as compared with a previous 4.7% YoY, where the accommodation, food and beverage activities subsector which was most directly impacted by the Easter attacks actually contracted by 4.6% YoY, as compared with robust growth of 5.7% YoY in 2018. Over the following months, these negative impacts were distributed across other key subsectors including wholesale and retail trade, transportation of goods and passengers, warehousing, and financial services.

Meanwhile, extreme weather conditions negatively affected the agriculture sector leading to a constrained growth rate of just 0.6% YoY, as compared with 6.5%YoY in 2018 as tea, rubber, marine fishing and forestry and logging activities all posted notable contractions.

Given these severe limitations, it was the country's industrial sector which recorded the strongest improvements, growing at a rate of 2.7% YoY in 2019, as compared with a previous 1.2% YoY, driven in large part by improvements in the construction following an increase in investment into Government funded infrastructure projects, together with improvements in private sector manufacturing, and apparel and textiles subsectors.

UNEMPLOYMENT AND INFLATION

Reflecting subdued economic activity, the unemployment rate increased to 4.8% in 2019 from 4.4% in 2018, however together with prudent management of interest rates, economic these disruptions resulted in lower demand and consumption, which in turn supported efforts to contain headline and core inflation within the range of 4-6%. However the weaker performance of the agriculture sector caused sharp spikes in food inflation resulting in an acceleration of headline inflation to reach 5.4% in October 2019, following which headline inflation remained below 5.0 per cent during the remainder of the year.

INTEREST RATES

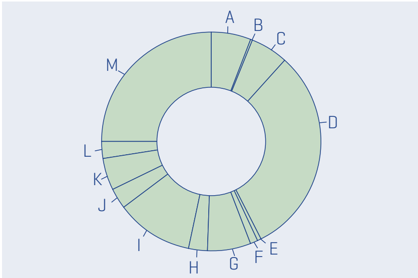
In an environment of muted demand driven inflation pressures and well anchored inflation expectations, the Central Bank adopted an accommodative monetary policy stance in 2019 to support the revival of economic activity and address the sluggish growth in credit extended to the private sector. In order to encourage greater supply of credit, the Central Bank imposed interest rate ceilings on deposit products of licensed banks and non-bank financial institutions (NBFI) in April 2019.

This led to a 100 basis point reduction in policy interest rates in May, August, and September 2019 and a further 50 basis point reduction in January 2020.

With the emergence of the COVID-19 pandemic in the following months, and the unprecedented economic shocks caused by the ensuing lockdown and social distancing measures, policy rates were cut by a further 50 basis points in March and April 2020. Accordingly, effective from the close of business on 3 April 2020, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) remained at 6.00 per cent and 7.00 per cent, respectively.

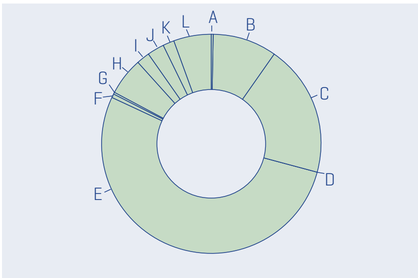
Policies to curtail import expenditure resulted in a notable improvement in the trade and current account balances, which, along with significant inflows to the financial account, helped strengthen gross official reserves and stabilise the exchange rate.

Industry Concentration (Company)



A	Agriculture, Forestry & Fishing	6.0%
B	Arts, Entertainment & Recreation	0.2%
C	Construction & Infrastructure Development	5.6%
D	Pawning & Consumption	31.0%
E	Education	0.5%
F	Financial Services	1.0%
G	Healthcare, Social Services & Support Services	6.5%
H	Information Technology and Communication	2.8%
I	Manufacturing	11.5%
J	Professional, Scientific & Technical Activities	2.9%
K	Tourism	4.9%
L	Transportation & Storage	2.3%
M	Wholesale & Retail Trade	25.0%

Assets Composition (Company)



A	Cash and cash equivalents	0.5%
B	Placements with Banks and other financial institutions	9.4%
C	Rental Receivable on lease	19.3%
D	Rental receivable on hire purchase	0.01%
E	Advances and other loans	52.8%
F	Repossessed Stock	0.5%
G	Financial Assets Measured at FVOCI	0.2%
H	Investment Property	5.6%
I	Property, plant & equipment and Intangible assets	1.9%
J	Right of use Assets	2.7%
K	Deferred Tax Asset	1.6%
L	Other receivables	5.4%

EXTERNAL SECTOR

A sharp 10.3% YoY contraction in import expenditure supported marginal improvements in the country's trade deficit from USD 10.3 billion down to USD 8 billion together with minor improvements in export performance.

External sector performance was hindered by the sharp 18% YoY contraction in tourism earnings down to USD 3.59 billion and a further 4.3% YoY contraction in worker remittances down to USD 6.72 billion.

Earnings from merchandise exports increased by a marginal 0.4% YoY up to US$ 11.9 billion in 2019 while earnings from industrial exports increased by 0.4% YoY to US$ 9.4 billion, accounting for 79 per cent of total export earnings.

Improved export earnings were contrasted with major compression in import expenditure – owing to a mixture of decreased import prices and demand, resulting in an overall reduction of 10.3% YoY down to US$ 19.9 billion. This in turn resulted in the country recording its lowest trade deficit on record since 2013.

Notably, the Sri Lankan rupee appreciated by 0.6% YoY up to a level of Rs. 181.8 against the dollar, marking the first such instance in successive years. The year in review also recorded the disbursement of International Monetary Fund (IMF) Extended Fund Facility, leading to an improvement in gross official reserves up to US$ 7.6 billion, equivalent to approximately 4.6 months of import cover. Meanwhile Sri Lanka's Debt:GDP ratio continued to edge upwards to a near decade long high of 66.6% in 2019.

OUTLOOK

Following the conclusion of Presidential elections in 3Q20, the Sri Lankan economy had initially shown promising signs of recovery as tourism began to parallel to a re-stabilisation of the island's security situation, however the COVID pandemic reversed all gains made subsequent to April 2019. Hence while the Sri Lankan economy had initially been projected to grow at a rate of 3.3% YoY, these projections were revised down to 1.5% YoY by the CBSL while many anticipate a local and global economic recession in 2020, particularly in the instance that a second wave of COVID-19 infections is to take place.

NON-BANKING FINANCIAL SERVICES INDUSTRY

The continued subpar growth of the economy had a severe negative impact on the financial system as the economy and the financial sector are interdependent. Low levels of credit growth, tightening profitability of financial intermediaries, and most concerning, a rise in NPLs resulted in increased stress levels in the financial sector. NPLs have been on the rise since 2017 with a noticeable deterioration in credit quality, particularly in the NBFI sector in 2019. Nevertheless, prudent regulatory and management interventions across the sector ensured that it was able to stay resilient despite the unprecedented challenges posed by the operating environment.

Total assets of the sector stood at Rs. 1.43 trillion by end-December 2019, representing 7.6% of Sri Lanka's financial system. The sector as a whole remained stable, with capital maintained at healthy levels along with adequate liquidity buffers well above the regulatory minimum levels.

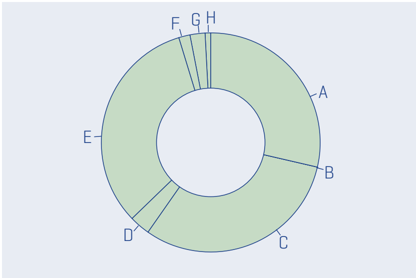
Given macro-prudential policy measures to curb imports, the sector recorded a commensurate reduction in lending activities towards vehicle leasing and hire-purchase. Credit provided by the LFCs and SLCs sector declined by 3% YoY to Rs.1.1 trillion, compared to the growth of 7.6% YoY in the corresponding period of 2018.

Loans and advances portfolio of product categories such as finance leases secured loans and advances and hire purchases contracted, while gold loan advances increased by Rs. 15.5 billion and loans against deposits increased by Rs. 0.6 billion. Net interest income of the sector during the year was Rs. 117.4 billion, reflecting an improvement of 7.9% YoY.

Customer deposits still dominated the major portion of liabilities in the NBFI sector, with increased assets mainly funded through deposits, which accounted for 52.8% of the total liabilities. Deposit growth increased to 5.6%, while borrowings declined by 12.6% in 2019.

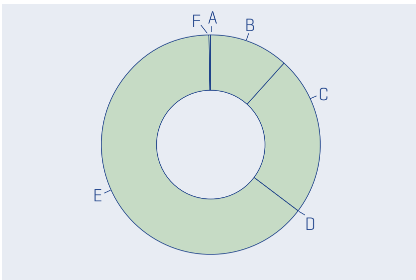
Gross non-performing advances (NPA) ratio increased to 10.6% at end-December 2019, from 7.7% reported at end-December 2018, reflecting deterioration in the asset quality of the sector.

Composition of Interest Income (Company)



A	- Lease Finance	28.7%
B	- Hire Purchase	0.1%
C	- Loans	31.0%
D	- Fixed Deposit Loans	3.1%
E	- Gold Loans	32.3%
F	- Reverse Repurchase Agreements	1.8%
G	- Placements with Banks and other financial institutions	2.2%
H	- Money market/ Savings interest	0.7%

Composition of Interest Bearing Assets (Company)



A	- Cash and cash equivalents	0.2%
B	- Placements with Banks and other financial institutions	11.5%
C	- Finance Lease Receivables	23.6%
D	- Hire Purchase Receivables	0.02%
E	- Loans and Receivables from Other Customers	64.5%
F	- Financial Assets Measured at FVOCI	0.2%

MANAGEMENT DISCUSSION & ANALYSIS

Non-interest income increased by 3.4% YoY mainly due to increased default charges and other service charges, while noninterest expenses increased by 15.5% YoY affecting sector profitability in an adverse manner. Consequently, NBFI profits declined by a sharp 31.9% YoY down to Rs. 14.5 billion.

COMPANY PERFORMANCE

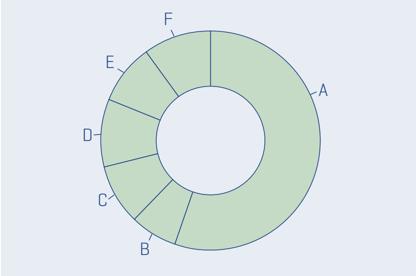
In addition to clearing legacy-related issues, MFPLC together with the rest of the industry and the wider economy, faced significant challenges owing to the severe disruptions and resulting subdued market conditions that prevailed through the majority of the year in review.

Given these significant challenges, the promising financial gains of the previous year were reversed as income reduced by 26.5% Year-on-Year (YoY) down to Rs. 218.7 million, while Net Interest Income (NII) declined by 34.7% YoY down to Rs. 111.9 million. Meanwhile, Fee and commission income reduced from Rs. 15.2 million down to Rs. 13.1 million while Net Income from Operations reduced by 31.1% YoY down to Rs. 135.8 million.

Given the unprecedented shocks reverberating through the market, MFPLC recorded significant shifts in the composition of its interest income, with the majority of income generated by the gold loan segment at Rs. 62.9 million as compared with Rs. 42 million.

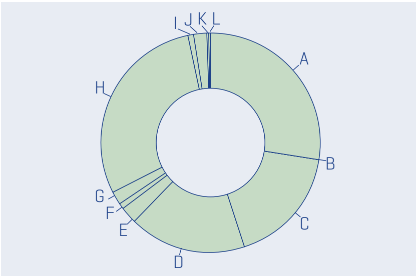
Previously, the Company's loans accounted for the highest interest income generation, amounting to Rs. 131.5 million in 2019, as compared with a substantially lower Rs. 60.3 million in 2020. Another core sector of the business, lease finance, also recorded a contraction in interest income, down from Rs. 77.5 million down to Rs. 55.9 million while fixed deposit loans reduced from Rs. 7.83 million down to Rs. 6.04 million.

Geographical Concentration of Lending Protfolio (Company)



A	Western	55.9%
B	Southern	6.8%
C	Sabaragamuwa	8.9%
D	Central	9.9%
E	North Western	8.8%
F	North Central	9.7%

Product Concentration (Company)



A	Leasing	27.7%
B	Hire Purchase	0.03%
C	Business loans	17.4%
D	Mortgage Loans	17.4%
E	Vehicle Loans	2.5%
F	Micro Finance	0.8%
G	FD against Loans	1.9%
H	Gold Loans	29.1%
I	Staff Loans	1.0%
J	Multi Draft	1.8%
K	Personal Loan	0.4%
L	Educational Loans	0.1%

Meanwhile, Hire Purchase income contracted from Rs. 1.24 million down to Rs. 246,870 as a result of discontinuing the product, while Reverse Repurchase agreements generated increased interest income of Rs. 3.51 million, as compared with Rs. 1.20 million in 2019. Another notable improvement was seen in the Company's Money Market and Savings Interest, which generated Rs. 1.45 million in income, as compared with a previous Rs. 0.34 million previously.

MFPLC's lending portfolio also recorded a notable contraction from Rs. 1.18 billion down to Rs. 861.7 million with public deposits contracting by 22.7% YoY down to Rs. 510.7 million while Interest Earning Assets reduced by 22.2% YoY to Rs. 977.8 million

Notably, the Company's efforts to optimise expenses and operations during the period in review resulted in a reduction in operating expenses from Rs. 224.7 million down to Rs. 212.6 million. Given the significant challenges posed by the operating environment, MFPLC's Net Loss After Tax increased from Rs. 63.1 million to Rs. 141.7 million, while losses per share increased from Rs. 0.99 down to Rs. 2.23, and the accumulated losses of the Company expanded by 71.8% YoY up to Rs. 338.1 million.

Another significant achievement to consider during this time was the successfully maintenance of the company's obligations with regard to regulatory liquidity requirement of 10.1% while maintained at 17.6%.

HUMAN CAPITAL

Particularly given the major challenges faced by the Company and the unprecedented disruptions taking place across the country as a result of the COVID pandemic, the fact that MFPLC was able to rapidly bring operations back to capacity while employees were working from home was a testament to the resilience and adaptability of its employees.

The team's health and safety remains the foremost concern of the Management, and when employees were able to return to offices, these operations were handled with utmost care, and the implementation of strict new social distancing and health, hygiene and sanitization protocols in order to minimize the risk of transmission of COVID.

Moving forward too, the company recognises that its employees are one of its most vital assets, and even in the midst of the pandemic, MFPLC continues to provide opportunities for employees to enhance their skills while providing an open, inclusive working culture in order to ensure that talent is retained as well as incentivized and empowered to achieve their best performance.

GOVERNANCE REPORTS

CORPORATE GOVERNANCE

Corporate Governance is the framework of rules and practices by which a Board of Directors ensures accountability, fairness and transparency in an organisation's relationship with all its stakeholders. The Board of Directors are responsible for the governance of the Company and has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all of Company's dealings and making the best effort in achieving performance and quality profits. At Multi Finance PLC, we adopt the 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 organisational 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 20 to 23 of this Report.

COMPOSITION AND INDEPENDENCE

The Board is comprised of 06 members as at 31st March 2020, two (02) of whom are Independent Non-Executive Directors. This gives the Board of Multi Finance PLC the appropriate balance of skills and experience which is conducive for the business carried out by the Company. There exists a diversity of experience and 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 specialised 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 64 to 67.

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 2020, eleven (11) meetings of the Board were held. The twelfth meeting scheduled to be held on 25th March 2020 could not be held as a result of the pandemic and nationwide curfew imposed by the Government of Sri Lanka.

The attendances at the meetings were as follows:

Name of the Member	Board Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance
1. Mr. E. K. I. de Zoysa (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)	11	10	91%
2. Ms. C J Atapattu	11	10	91%
3. Mr. Pushpike Jayasundera	11	11	100%
4. Mr. Imal Fonseka	11	11	100%
5. Mr. Lakshaman Wanniarachchi (Resigned w.e.f. 01.06.2020 as approved by the CBSL)	11	10	91%
6. Mr. Palitha Abeysekara (Resigned w.e.f. 01.06.2020 as approved by the CBSL)	11	10	91%
7. Dr. Ravi Fernando (Resigned w.e.f. 22.08.2019 as approved by the CBSL)	05	00	00%
8. Mr. Senaka De Saram (appointed on 19.08.2019 as approved by the CBSL)	08	07	86%

BOARD SUBCOMMITTEES

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 Subcommittees, while retaining final decision rights pertaining to matters under the purview of these committees. The following Subcommittees 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 Subcommittee Reports are given on pages 59 to 63 in this Report.

COMPLIANCE OFFICER

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

MANAGEMENT COMMITTEES

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

THE MANAGEMENT

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief Executive Officer. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

FINANCIAL DISCLOSURES AND TRANSPARENCY

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

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

CORPORATE GOVERNANCE

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 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. 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)	Complied with The Company has a comprehensive documented Risk Policy approved by the IRMC and then by the board. The Board sets and oversees the vision, mission, strategic objectives and corporate values of the company and these are regularly communicated to all levels of the company.
	2 (1) (c)	Complied with A strategic plan covering the overall risk parameters has been set up with regular reviews in place through Assets and Liabilities Committee (ALCO) and Integrated Risk Management Committee (IRMC).
	2 (1) (d)	Complied with Board approved policy for communication with stakeholders is available. This policy sets out the processes that the company has in place to provide all stakeholders including shareholders, borrowers, depositors, creditors and the investment community with fair and timely information on the company to enable these stakeholders to engage actively with the company.
	2 (1) (e)	Complied with Audit committee with the assistance of internal audit will review the adequacy and integrity of internal controls of the company.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (1) (f)	Complied with Identification and designation of Key Management Personnel is in place and evaluated by the Remuneration Committee reporting to the Board.
	2 (1) (g)	Complied with The Board comprises of 2 Executive Directors who have specific areas of responsibility. In addition, Non-executive Directors have specific areas of responsibility through the various Subcommittees of the Board as specified in the respective Terms of Reference (TOR) documents. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs which are reviewed by the Remuneration Committee.
	2 (1) (h)	Partially Complied with The Company has a documented procedure manual in which the Board has approved after the end of the financial year, highlights how the board would monitor the affairs of the finance Company. Further, the Subcommittees to the Board review the affairs of the company and keep the board updated on the affairs of the Company. Where required, members of the management are required to provide explanation.
	2 (1) (i)	Complied with The Company has a documented procedure highlighting the key steps the board should follow in assessing the effectiveness of the governance practices of the board. However, the Board ensures that effectiveness of Governance practices is periodically assessed. Compliance officer ensures the due compliance with the regulations and maintains a Compliance Register.
	2 (1) (j)	Complied with A documented Succession Plan is in place for all Key Management positions and are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.
	2 (1) (k)	Complied with Monthly board meetings are held and all Key Management Personnel (KMPs) are required to participate in such meetings. Business plans and objectives are discussed at these meetings.
	2 (1) (l)	Complied with Compliance officer regularly updates the board on the regulatory environment as documented in board minutes.
	2 (1) (m)	Complied with With the approval of the Audit committee and shareholder approval at the Annual General Meeting, due diligence is carried out on external auditors prior to appointing external auditors.
Chairman & CEO	2 (2)	Complied with The Board has appointed the Chairman and CEO and the roles of the Chairman and the CEO are separate.
Independent advice	2 (3)	Complied with Directors are permitted to seek independent advice when necessary. Further the company has a formal documented policy for procedures in seeking independent advice for Directors.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Conflict of interests	2 (4)	Complied with Procedures are in place to ensure that conflicts and potential conflict of interests are properly disclosed to the Board.
Formal schedule of matters to the Board	2 (5)	Complied with The Board has a formal schedule of matters specifically reserved for it and the authorities and responsibilities of the Board are documented in the terms and references of the Board.
Situation of Insolvency	2 (6)	This situation has not arisen during the year.
Corporate Governance Report	2 (7)	Complied with This report addresses the requirement.
Self-assessment by Directors	2 (8)	Complied with The Board has a scheme of annual self-assessment undertaken by each Director.
3. Meetings of the Board		
Board Meetings	3 (1)	Not Complied with The Board met 11 times during the year approximately at monthly intervals. Meeting scheduled on 25th March 2020, for the month of March could not be held due to the pandemic and island wide curfew imposed during that period.
Inclusion of proposals by all Directors in the agenda	3 (2)	Complied with Proposals from all Directors on promotion of business and management of risk are included in the agenda for regular meetings as and when they arise.
Notice of meetings	3 (3)	Complied with Directors are given notice for Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions.
Non-attendance of Directors	3 (4)	Partially Complied with All current Directors have attended at least 2/3 of the board meetings held, excluding Dr. Ravi Fernando consequent to his resignation tendered 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, 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.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Details of Minutes	3 (9) a to 3 (9) f	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary.
4. Composition of the Board		
Number of Directors	4 (1)	Complied with The Board comprised of 06 Directors as at 31st March 2020. Mr. E K I de Zoysa (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020) Dr. Ravi Fernando and both Mr. Palitha Abeysekara and Mr. Lakshaman Wanniarachchi resigned w.e.f. 22.08.2019 and 01.06.2020 respectively with the receipt of the approval of the CBSL. On having obtained approval from the CBSL, Mr. Senaka De Saram was appointed to the Board w.e.f. 19.08.2019.
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. Mr. E.K.I. De Zoysa, the Chairman/Independent Non-Executive Director, ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020.
Appointment of an employee as a Director	4 (3)	Complied with CEO was appointed to the Board w.e.f. 09th September 2016. Mrs. Champika Atapattu appointed to the Board w.e.f. 01st August 2002. Board consists of six members of whom two of them are Executive Directors. Accordingly the number of Executive Directors does not exceed one – half of Directors of the Board.
Independent Non-Executive Directors	4 (4)	Complied with The Board reviews the Independence of Non-Executive Directors on a regular basis. The Board is comprised of Independent Non-Executive Directors who do not hold any shares of the Company and are evaluated on their independence annually based on the Directors' self-declarations: Mr. E.K.I. De Zoysa (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020) Mr. Senaka De Saram (appointed w.e.f. 19.08.2019) Mr. Imal Fonseka (Independent, Non-Executive Director w.e.f. 31.12.2019 subject to the approval of CBSL)
Alternate Director	4 (5)	Complied with The requirement for appointment of Alternate Directors has not arisen during the year.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Credibility, skills & experience of Non-Executive Directors	4 (6)	Complied with The Directors including Non-Executive Directors are eminent individuals with knowledge, expertise and experience to bring an independent judgement and their detailed profiles are given on pages 20 to 23.
Board Meetings without half the quorum of Non-Executive Directors	4 (7)	Complied with Articles of the Company provides for same.
Details of Directors	4 (8)	Partially Complied with All important corporate communications include the names of the non-executive directors. The Composition of the Board of Directors including the category of Directors has been disclosed on pages 20 to 23.
.Appointment of new Directors	4 (9)	Complied with With the consultation of the Nomination Committee, the Board adopts a formal and transparent procedure that's in place when appointing Directors to the Board. Nominated individuals are screened in accordance with CBSL and CSE's requirement and submitted for prior approval of the Director – Supervision of Non-Bank Financial Institutions of CBSL.
Appointment to fill a casual vacancy	4 (10)	Complied with Mr. Senaka De Saram was appointed during the period (19.08.2019) and will be elected at the next Annual General Meeting.
Resignation/ removal of a Director	4 (11)	Complied with Resignation of Directors along with related reasons are duly communicated to the Director of the Department of Supervision of Non-Bank Financial Institutions. Appointments, removal or resignations of Directors of the company are given to the shareholders by way of the immediate notifications to the CSE.
5. Criteria to assess the Fitness and Propriety of Directors		
Directors over 70 Years of age	5 (1)	Complied with Directors serving on the Board have not reached the age of 70 years as at 31st March 2020.
Holding of office in more than 20 entities	5 (2)	Complied with As at 31.03.2020 none of the Directors hold Directorships in companies/entities/ institutions inclusive of subsidiaries or associate companies of the Company not more than 20 entities, as per the annual disclosures made by them.
6. Management Function delegated by the Board		
Delegation of work to the management	6 (1)	Complied with The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions. As per the Articles of Association, the Board may delegate any of their powers to the Board-appointed committees.
Evaluation of the delegated process	6 (2)	Complied with Delegation process is reviewed by the board based on business requirements. The subcommittees report to the board on a periodic basis by which the board ensures that the delegation process remain relevant to the needs of the finance company.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
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)	Partially Complied with The Board is aware that there are no material relationship whatsoever, including financial, business, family, any other relationship impairing the respective roles between the Chairman and the CEO. No relationships prevail among the members of the Board. However the self-declarations of Mr. K.D.P.C. Abeysekara and Mr. W.A Lakshman were not received for the year as they have tendered their resignations on 31.01.2020. Details of the Chairman and the CEO are disclosed in the Annual report on page 20.
The chairman to: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	7 (4)	Complied with The Chairman provides leadership to the Board as a responsibility of the Chairman. The Board as a body worked effectively and discharged its responsibility as set out in the Annual Report. The annual self-assessment covers evaluating the effectiveness of the Board's discharge of its responsibilities. All key points and strategies pertaining to the business are discussed by the Board on a timely basis.
Responsibility of the agenda lies with the Chairman or may be delegated to the Company Secretary	7 (5)	Complied with Agenda has been prepared by the company secretary who shares a formal agenda with the Chairman prior to the commencement of the meeting and then circulates.
Ensures that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting	7 (6)	Complied with All meeting minutes circulated to all directors prior to the meeting.
Encourages each Director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company	7 (7)	Complied with Almost all directors have attended for the Board meetings as per the section 3(4) and have effectively participated for the decision making and acts in the best interest of the Company at all time.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors	7 (8)	Complied with Board meetings are headed by the chairman and any disputes are resolved in a professional manner. Executive and Non-Executive Directors work together and Non-Executive Directors participate in Board subcommittees.
Does not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever	7 (9)	Complied with Chairman does not engage in executive duties of the company.
Ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board	7 (10)	Complied with At the AGM all significant issues are communicated with the shareholders, if required. Further, the Board approved Communication Policy evidences the Company's process in this regard.
The chief executive officer functions as the apex executive-in-charge of the day-to-day management of the finance company's operations and business	7 (11)	Complied with The CEO performs as apex Executive-in-Charge of the day-to-day management of company's operations and business. He further ensures appropriate internal controls are in place to assess and manage risks.
8. Board Appointed Subcommittees		
Board Appointed Subcommittees	8 (1)	Complied with The main Board appointed Subcommittees are Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transaction Review Committee. Minutes of the Subcommittee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions are circulated to the Board members.
Audit Committee	8 (2)	
The chairman of the committee is a non-executive director who possesses qualifications and experience in accountancy and/ or audit	8 (2) (a)	8 (2) (a) Partially Complied with During the early part of the year, Mr. E.K.I. De Zoysa who chaired the Audit Committee did not possess the qualifications and experience required. In the absence of an Independent Non-Executive Director who possessed the necessary qualifications and experience to chair the Audit Committee meetings, Mr. K.D.P.C. Abeysekara, considering his qualifications and experience in accounting and finance was invited to chair Audit Committee meetings. However from 26 August 2019, the company appointed Independent Non-Executive Director, Mr. Senaka de Saram who possess with sufficient qualifications.
Board members appointed to the committee are non-executive directors	8 (2) (b)	Complied with All Audit Committee members are Non-Executive Directors.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
The committee has made recommendations on matters in connection with: (i) the appointment of an External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of accounting standards	8 (2) (c)	Complied with The Audit Committee met six times during the year to discuss matters pertaining to the financial reporting processes and the internal control environment of the company. The committee also discusses and implements the guidelines issued by the Central Bank and liaises with the auditors when adopting new accounting standards.
Review and monitor the External Auditors' independence, objectivity and effectiveness of the audit processes	8 (2) (d)	Complied with External audit is carried out by M/s KPMG and representations have been obtained from the external auditors on their independence.
The committee has implemented a policy on the engagement of an external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services (in accordance with Sec 8 2(e) of the regulations)	8 (2) (e)	Complied with Company has a documented policy to engage external auditors to provide non audit services in order to ensure that the non-audit services do not impair the independence and objectivity of the External Auditors.
Determines the nature and the scope of the External audit	8 (2) (f)	Complied with The Company refers to the engagement letter as a formal document for the scope of the audit. Further, the external auditors discussed the scope of the audit at an Audit Committee meeting prior to commencement of the statutory audit for the year ended 31 March 2020.
Review the financial information of the Company.	8 (2) (g)	Complied with The auditors were regularly present at the Audit Committee meetings and important financial reporting matters were discussed. Auditors were invited to present to the Audit Committee their "Report to the Audit Committee" Management Letter issues relating to the audit of the prior year were also discussed at the Audit Committee meeting in addition to circulating Quarterly Financial Statements as well as year-end Financial Statements.
The committee has met the external auditors to discuss issues, problems and reservations arising from the interim and the final audit including matters which needs to be discussed in the absence of the executive management by perusing the minutes	8 (2) (h)	Complied with Discussions with Auditors were held at the Audit Committee meetings without the Executive directors or staff to discuss matters confidentially.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
The committee reviewed the external auditor's management letter and the management's response thereto	8 (2) (i)	Complied with A meeting was held on 9 August 2019 to discuss the management letter with the Audit partner. At the Audit Committee meeting held on 14th November 2019, it was confirmed that in general, most of the management letter concerns had been rectified
The committee has taken the following steps with regard to the internal audit function of the finance company: ❖ Review of the Internal Audit Function ❖ Review scope, function and resources ❖ Review of Internal Audit Program ❖ Review of Internal Audit Department ❖ Recommendations on Internal Audit functions ❖ Appraise the resignation of senior staff of Internal Audit and any outsourced service providers ❖ Independence of Internal Audit functions.	8 (2) (j)	Complied with The Internal Audit function is outsourced to PwC. The internal auditors report to the Audit Committee. Agreed to perform quarterly reviews with all branches including the Head office within a year as per the Letter of engagement 2019/20. Salient features are presented and discussed by the Internal Auditors at the Audit Committee. Audit committee reviews the adequacy of risk based audit plan Not applicable since the function is outsourced Considering the scope of work, the management does recommendations Not applicable since the function is outsourced Internal audit function is unbiased as it is outsourced.
The committee considers the major findings of internal investigations and management's response thereto	8 (2) (k)	Complied with Major findings, if any, are discussed at the meetings and documented in the relevant meeting minutes
Attendees of Audit Committee meeting with corporate Management and External Auditors	8 (2) (l)	Complied with The Audit Committee met the External Auditors twice within the year without the presence of Executive Directors
Explicit authority, adequate resources, access to information and obtain external professional advice wherever necessary	8 (2) (m)	Complied with The authority and responsibility of the Audit Committee is directed by a Board approved terms of Reference (TOR). The Audit Committee is authorised to obtain external professional advice and to invite outsiders with relevant experience to attend if necessary.
The committee meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities	8 (2) (n)	Complied with Audit committee meetings were held six times during the year

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Disclosures in the Annual Report	8 (2) (o)	Complied with The Audit Committee report is on pages 62 to 63 and includes the detailed activities, meetings held during the year and the Directors attendance at the Audit Committee Meetings
Maintain minutes of meetings	8 (2) (p)	Complied with The Company Secretary who is also the Audit Committee Secretary maintains all relevant meeting minutes.
Whistleblower Policy	8 (2) (q)	Complied with The Company has a Board-approved Whistleblowing Policy whereby employees of the Company are entitled to raise concerns in confidence about the malpractices of the Company.
Integrated Risk Management Committee	8 (3)	
The composition of IRMC	8 (3) (a)	Complied with The committee is comprised of the Chairman and two Executive Directors including the CEO. KMPs including the Senior Manager – Finance and Head of Compliance are also usually present for the IRMC meetings
Periodical risk assessment	8 (3) (b)	Complied with The company is maintaining a track of risks which includes all the business processes and the identified risk areas in those processes including Operational risk, Strategic risk, Interest rate risk, Credit Administration risk, Credit origination risk and Reputational risk. According to that pre-established risk indicators are reviewed by the Committee on a quarterly basis.
Review the adequacy and effectiveness of Management level committees to manage risk	8 (3) (c)	Complied with The committee reviews the adequacy and effectiveness of all management level committees such as the asset-liability committee to address specific risks such as credit risk and market risk and to manage those risk.
Corrective action to mitigate the risk.	8 (3) (d)	Complied with The discussions and conclusions reached at such meetings are circulated to the Board of Directors at the next monthly Board Meeting.
Frequency of meetings	8 (3) (e)	Complied with The Committee meetings have been held quarterly (4 times during the year, in 3 month intervals).
Actions against the officers responsible for failure to identify risks and take prompt corrective action	8 (3) (f)	Complied with No such instances have been brought forward to the committee during the period. Disciplinary actions against any non-compliances are taken by relevant Heads of Departments.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Risk assessment report to the Board	8 (3) (g)	Partially Complied with The Committee does not submit a risk assessment report to the Board. However, the minutes of the discussions and conclusions reached at Committee meetings are circulated to the Board of Directors at the next monthly Board Meeting
Establishment of a compliance function	8 (3) (h)	Not Complied with The Compliance Officer of the company functioned during the year ended 31st March 2020, was handling the duties of fund mobilisation in addition to her compliance related activities. However subsequent to the resignation of the above mentioned officer and subsequent to the closure of the financial year, a dedicated Compliance Officer approved by the CBSL with sufficient authority, stature, independence and access to the Board had been appointed.
9. Related Party Transactions		
Avoiding conflict of interests in related party transactions and favorable treatment	9 (2)	Complied with The Company has formally documented terms of reference to facilitate the related party review committee to evaluate related party transactions based on a set of guidelines. However the Board has taken necessary steps to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard 24 (LKAS 24) on "Related Party Transactions". Major transactions with the related parties are presented to the Related Party Transaction Review Committee for their consent and approval. The Board appointed Related Party Transactions Review Committee ensures that the transactions with Related Parties are in accordance with best practices. Transactions carried out with Related Parties in the ordinary course of business (Recurrent transactions) are disclosed in the Financial Statements on 'Related Party Transactions' under note 35.1 on page 123 in Financial Statements.
Related party transactions	9 (3)	Complied with The Board also ensures that no related party benefits from favorable treatment. The Board has also established a Related Party Review Committee to analyse related party transactions.
Monitoring of related party transactions defined as more favourable treatment including	9 (4)	Partially Complied with The Board ensures that no related party benefits from more favourable treatment. The Board has also established a Related Party Transaction Review Committee to analyse related party transactions. The Board transacts with related parties as per the definition of LKAS 24. All transactions were transacted at an arm's length The Board has taken necessary steps to avoid any conflict of interests that may arise in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard 24 (LKAS 24) on "Related Party Transactions". The Board also ensures that no related party benefits from favourable treatment

<table>
<tr><th>Corporate Governance Principle</th><th>Reference to CBSL Rule</th><th>Degree of Compliance</th></tr>
<tr><td colspan="3">10. Disclosures</td></tr>
<tr><td>Publish Interim and Annual Financial Statements based on applicable accounting standards and publish in Sinhala, Tamil and English newspapers</td><td>10 (1)</td><td>Complied with

The audited financial statements for the year ended 31 March 2020 were verified by the Board for compliance with all rules and regulatory requirements and applicable accounting standards. The above mentioned financial statements are duly signed and authorised by two members of the Board, namely the CEO and the Chairman.

All financial statements were published in the newspaper in all three languages.</td></tr>
<tr><td>Minimum disclosure in the Annual Report</td><td>10 (2) (a) - 10 (2) (e)</td><td>Complied with

All necessary disclosures have been included in the Annual Report 2019/20.

The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism.</td></tr>
<tr><td>Total net accommodation outstanding and the net accommodation outstanding in respect of each category of related parties as a percentage of the capital funds.</td><td>10 (2) (f)</td><td>Complied with

<table>
<tr><th>Category of related party transactions</th><th>Outstanding as at 31.03.2020 (Rs.)</th><th>Percentage of Capital Funds</th></tr>
<tr><td>Parent Company</td><td></td><td></td></tr>
<tr><td>Fairway Holdings (Pvt) Ltd</td><td>7,177,683</td><td>1.24%</td></tr>
</table></td></tr>
<tr><td>The disclosure in the Annual Report</td><td>10 (2) (g) -
10 (2) (h)</td><td>Complied with

Related disclosures have been made.

The holding company was properly communicated with best feasible options in order to exit from the accommodation provided as depicted in 10(2)(f) and to be in line with the Finance Companies (Lending) Direction no. 1 of 2007.</td></tr>
<tr><td>A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns</td><td>10 (2) (i)</td><td>Partially Complied with

With reference to the core Capital requirement which is a material risk factor, company is in the process of discussion and negotiating with both local & foreign investors to inject the required capital as per minimum core capital direction No.2 of 2017. At the same time, discussions are underway for a consolidation/merger in line with CBSL plan to consolidate non-banking financial institutions.</td></tr>
<tr><td>The External Auditors' certification of compliance with the corporate governance direction</td><td>10 (2) (j)</td><td>Complied with

The Company has obtained a report of factual findings from the external auditors over the compliance with Corporate Governance Directions on 17th November 2020.</td></tr>
</table>

CORPORATE GOVERNANCE

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

Section	Rule No.	Requirement	Compliance Status	Details
Non Executive Directors	7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied with	Four Directors on Board are Non-Executive Directors as at 31st March 2020.
	7.10.1 (b)	The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Complied with	Mr. Senaka De Saram appointed during the period (19.08.2019) and will be elected at the next Annual General Meeting.
	7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied with	
Independent Directors	7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Complied with	The Board comprises of four Non-Executive Directors and two of them are Independent as at 31st March 2020.
	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	Complied with	The Directors have submitted the required declarations.
Disclosures relating to Directors	7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report	Complied with	Non-Executive Directors as at 31st March 2020 are; ❖ Mr.Imal Fonseka (independent Non-Executive Director w.e.f. 31st December 2019) ❖ Mr. Senaka De Saram
	7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Complied with	All Independent Directors of the Company met the criteria for independency specified in this rule.
	7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied with	Please refer Profiles of Directors in pages from 20 to 23.
	7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board	Complied with	Please refer Profiles of Directors in pages 20 to 23.

Section	Rule No.	Requirement	Compliance Status	Details
Criteria for defining 'independence	7.10.4 (a-h)	Requirements for meeting criteria to be Independent	Complied with	All Independent Directors of the Company who have provided annual declaration on the independence met the criteria for independency specified in this rule.
Remuneration committee	7.10.5	A listed company shall have a Remuneration Committee	Complied with	Please refer the Report of the Remuneration Committee in the page 60 of the Annual Report.
	7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Complied with	The Remuneration Committee comprises of two Independent Non-Executive Directors as at 31st March 2020; Mr. Senaka De Saram Mr. Imal Fonseka
		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 functioned as Chairman of the Remuneration Committee (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)
	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: ❖ Names of the Directors that comprise the Remuneration Committee ❖ A statement of remuneration policy ❖ Aggregate remuneration paid to Executive and Non-Executive Directors	Complied with	Please refer the Report of the Remuneration Committee on page 60.

Section	Rule No.	Requirement	Compliance Status	Details
Audit Committee	7.10.6	A listed company shall have an Audit Committee	Complied with	Please Refer pages 62 to 63 of the Annual Report.
	7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.	Complied with	Mr. E.K.I.De Zoysa , (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020) Mr. Senaka De Saram Mr. Imal Fonseka
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Complied with	Mr. Senaka De Saram, who is an Independent, Non-Executive Director functions as the Chairman of the Audit Committee.
		Unless otherwise determined by the Audit Committee, the Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied with	The CEO and Senior Finance Manager attends all Audit Committee meetings.
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Complied with	Both the Chairman Mr. Senaka De Saram & Mr. Palitha Abeysekera are qualified in the related professional accountancy field.
	7.10.6 (b)	The functions of the Audit Committee shall be set out.	Complied with	Please refer the Report of the Audit Committee on pages from 62 to 63.
	7.10.6 (c)	The annual report shall set out; (i) the names of the Directors who comprise the Audit Committee (ii) The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination (iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	Complied with	Please refer the Report of the Audit Committee on pages from 62 to 63 for the required disclosures.

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

Section 1 – THE COMPANY

Corporate Governance Principle	Reference to Code	Degree of Compliance
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	Not Complied with During the year, the Board met 11 times. The meeting scheduled for 25th March 2020 could not be held as the nationwide curfew and pandemic situation.
Role of the Board	A.1.2	Complied with The Board engages in providing direction in formulating a sound business strategy and closely monitors the implementation of the strategy effectively.
Compliance with laws & seeking Independent Professional Advice	A.1.3	Complied with The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice when deemed necessary at the Company's expense.
Access to advice & services of the Company Secretary	A.1.4	Complied with All directors have access to the advice & services of the Company Secretary & the appointment/removal of the Company Secretary should be by resolution involving the whole Board.
Independent Judgment of Directors	A.1.5	Complied with All directors exercise independent judgment on issues of strategy, performance, resources and standard of business conduct. Non-Executive Directors are responsible for providing independent judgment on the proposals made by the Executive Directors.
Dedication of adequate time & effort to matters of the Board and the Company	A.1.6	Complied with All Directors dedicate their time and effort to ensure their duties towards the Board & the Company are satisfactorily discharged. In addition, Directors function as members of one or more subcommittees & ensure that adequate time & effort is allocated to discharge their duties towards the Board Subcommittees. All the Board papers are made available at least seven days prior to the Board meetings for the Directors.
If necessary in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board	A.1.7	Complied with Necessity did not arise during the year.
Board induction and training	A.1.8	Complied with Every Director is provided adequate training when appointed to the Board. The Directors are constantly updated on the latest trends and issues facing the Company and the industry in general. Further, time to time corporate management makes presentations with regard to the business environment to update the knowledge.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to Code	Degree of Compliance
A.2 Chairman & the Chief Executive Officer There should be a clear segregation of responsibilities between the 2 individuals of the Company ensuring 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
A.3 Chairman's Role The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board.		
Role of the Chairman	A.3.1	Complied with The Chairman conducts Board proceedings in a proper manner and ensures that effective participation of both Executive and Non-Executive Directors is secured and the balance of power between Executive and Non-Executive directors is maintained.
A.4 Financial Acumen The Code requires that the Board should be comprised of members with sufficient financial acumen and knowledge to offer guidance on financial matters.		
Financial Acumen & Knowledge	A.4.1	Complied with The Board comprises of members with academic & professional qualifications in Accounting, Business Finance & Management. Please refer Profiles of the Directors.
A.5 Board Balance The Code requires the Board to maintain a balance between Executive Directors and Non-Executive Directors (NEDs) so that, no individual or small group can dominate the Board's decision making.		
Presence of a Strong Team of NEDs	A.5.1	Complied with The Board comprised of four non-executive Directors as at 31st March 2020, two of whom were Independent.
Independence of NEDs	A.5.2 & A.5.3	A.5.2 Complied with The following 2 NEDs are Independent Directors as at 31st March 2020. 1. Mr. Senaka Rohan De Saram (appointed w.e.f. 19.08.2019) 2. Mr. Imal Fonseka (Independent Non-executive Director w.e.f. 31st December 2019 subject to the approval of CBSL) A.5.3 Complied with
Annual Declaration by NEDs on Independence	A.5.4	Complied with All Independent Directors above have submitted their written declarations with regard to their independence as required by the Code.
Annual Determination by the Board on Independence of NEDs	A.5.5	Complied with The Board has determined the independence of the NEDs based on the written declarations submitted.
Appointment of an Alternate Director	A.5.6	The requirement did not arise.
Appointment of Senior independent Director & Availability of himself for confidential discussions	A.5.7 & A.5.8	Not relevant/not applicable

Corporate Governance Principle	Reference to Code	Degree of Compliance
Conducting meetings with NEDs only	A.5.9	Complied with The Chairman holds a meeting once a year with Non-Executive Directors.
Recording in Board Minutes concerns which cannot be unanimously resolved	A.5.10	Complied with Concerns of the Directors which cannot be unanimously resolved if any, are recorded with adequate details. All minutes are circulated to the members of the Board & formally approved at the subsequent meeting.
A.6 Provision of appropriate and timely information The Code requires the Management to provide timely information in a form and of a quality appropriate to enable the Board members to discharge their duties.		
Obligation of the Management to provide appropriate & timely information to the Board	A.6.1	Complied with
Adequate Notice for Board Meetings	A.6.2	Complied with
A.7 Appointments to the Board The Code requires the Company to have formal & transparent procedure to appoint new Directors to the Board.		
Presence of a Nomination Committee & Annual Assessment of composition of the Board	A.7.1 & A.7.2	Complied with Nomination Committee Members as at 31st March 2020 were as follows: Mr. Senaka De Saram Mr. Imal Fonseka
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	Partially Complied with The self-declarations of Mr. K.D.P.C. Abeysekara and Mr. W.A Lakshman were not received for the year as they have tendered their resignations on 31.01.2020.
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.

Corporate Governance Principle	Reference to Code	Degree of Compliance
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.
DIRECTOR'S REMUNERATION **B.1 Remuneration Procedure** The Code requires that the Company should establish a formal & transparent procedure for developing an effective remuneration policy for both Executive Directors & NEDs where no director is involved in deciding his/her own remuneration to avoid conflicts of interests.		
Establishment of a Remuneration Committee	B.1.1	Complied with A Remuneration Committee has been appointed and functions within agreed terms of reference. Refer Report of the Remuneration Committee.
Composition of the Remuneration Committee	B.1.2 B.1.3	Complied with Complied with The Remuneration Committee comprises of two Independent Non-Executive Directors as at 31st March 2020. Mr. Senaka De Saram Mr. Imal Fonseka (Independent Non-Executive Director w.e.f. 31st December 2019 subject to the approval of the CBSL)
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 directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.		
Remuneration of Executive Directors	B.2.1	Complied with Executive directors do not set their own remuneration.
Competitiveness of levels of Remuneration	B.2.2	Complied with When positioning remuneration levels relative to other companies in the industry, due care is taken to ensure that remuneration is commensurate with the comparative performance/scale of other companies in the industry.
Annual Revisions in Remuneration & Comparison with other Group Companies	B.2.3	Complied with The Remuneration Committee reviews the annual increments provided to Companies within the Group, when deciding on increments for staff.
Performance based Remuneration for Executive Directors	B.2.4	Not applicable
Executive Share Options	B.2.5	Not applicable

Corporate Governance Principle	Reference to Code	Degree of Compliance
Designing schemes of Performance related Remuneration	B.2.6	Complied with Performance related Remuneration Schemes are approved by the Remuneration Committee.
Early Termination of Executive Directors	B.2.7 & B.2.8	Not applicable. Terminations of Executive Directors, CEO & Chief Operating Officer are governed by their contracts of service/employment.
Levels of Remuneration of NEDs	B.2.9	Complied with NEDs are remunerated in line with market practices.
B.3 Disclosure of Remuneration The Company's Annual Report should contain a statement of Remuneration Policy and details of remuneration of the Board as whole.		
Disclosure of Remuneration	B.3.1	Complied with Refer the Report of the Remuneration Committee for the Remuneration Policy and details of the Remuneration Committee. Aggregate remuneration paid to the Directors is disclosed in the Financial Statements.
C. RELATIONS WITH SHAREHOLDERS **C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings** The Code requires that Board uses the AGM to communicate with shareholders and encourage their participation. The Board should encourage all shareholders to attend and actively participate at the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the CEO and the Chairmen of Board Subcommittees 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 Subcommittee Chairmen are present at the AGM to answer any queries.
Adequate Notice of AGM to the Shareholders together with the summary of the Procedure	C.1.4 & C.1.5	Complied with Adequate notice is given to the shareholders for the AGM & a summary of the procedures governing voting at the AGM is provided in the proxy form.
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

Corporate Governance Principle	Reference to Code	Degree of Compliance
Policy and Methodology of Communication & Implementation	C.2.2 & C.2.3	Complied with Refer Section C.2.1 above.
Contact Person	C.2.4	Complied with
Awareness of Directors on major issues and concerns of Shareholders	C.2.5	Complied with A process has been adopted to ensure that all Directors are aware of the major issues and concerns raised by Shareholders.
Contact Person for Shareholders	C.2.6	The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary.
Process for responding to Shareholders	C.2.7	All shareholder correspondence is via company secretarial division.
C.3 Major and Material Transactions The Code requires the Directors to disclose to all shareholders all proposed material transactions which would materially alter the net asset position of the Company.		
Major Transactions	C.3.1	Complied with
D. ACCOUNTABILITY AND AUDIT **D.1 Financial Reporting** The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
Board's responsibility for Statutory & Regulatory reporting	D.1.1	Complied with The interim accounts and annual financial statements were published on a timely basis during the year. Regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the year.
Declarations by Directors in the Director's Report	D.1.2	Complied with Refer Annual Report of the Board of Directors on pages 64 to 67.
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 70 and 74 - 76 respectively.
Management Discussion and Analysis	D.1.4	Complied with Refer Management Discussion and Analysis. on pages from 28 to 31.
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 64 to 67.
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.

Corporate Governance Principle	Reference to Code	Degree of Compliance
Internal Audit function	D.2.2	Complied with The internal audit function has been outsourced to a leading firm of Chartered Accountants namely PWC. The Board believes that this provides greater access to global best practices and independence from management. The internal auditors may also carry out any additional tasks they deem necessary to effectively discharge their duties.
D.3 Audit Committee The Board has delegated its responsibility with regard to financial reporting, internal controls and maintaining an appropriate relationship with the Company's Auditors to the AC. Accounting policies are agreed with auditors and the AC and are applied on a consistent basis.		
Composition of the Audit Committee	D.3.1	Complied with The Audit Committee comprises of two Independent Non-Executive Directors as at 31st March 2020. Mr. E.K.I. De Zoysa , (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020) Mr. Senaka De Saram Mr. Imal Fonseka (Non-Independent, Non-Executive Director) (Resigned on 25.09.2019 and reappointed w.e.f. 18.05.2020 to the committee) (Independent, Non-Executive Director w.e.f. 31.12.2019 subject to the approval of the CBSL) & Mr. Palitha Abeysekera one Non-Independent Non-Executive Director ,) The Chairman Mr. Senaka De Saram & Mr. Palitha Abeysekera members of Audit Committee have relevant experience in financial reporting and control.
Duties of the Committee	D.3.2	Complied with As per its charter, the AC is responsible for reviewing the scope and results of the audit and its effectiveness.
Terms of Reference for Audit Committee	D.3.3	Complied with The AC operates within clearly defined Terms of Reference which have been approved by the Board.
Disclosure of Names of Members of the Audit Committee	D.3.4	Complied with The details and composition of the AC are provided in the Report of the Audit Committee.
D.4 Code of Business Conduct and Ethics The Code requires the Company to adopt an Internal Code of Conduct & Ethics to be followed by all Directors and Key Management Personnel.		
Code of Business Conduct and Ethics	D.4.1	Complied with The Company has issued a Code of Conduct & all Directors, Senior Management & all Employees are required to adhere to same.
Affirmation from the Chairman	D.4.2	Complied with The Chairman is not aware of any violation of the Company's Code of Ethics.
D.5 Corporate Governance Disclosures The company is fully compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.		
Annual Corporate Governance Report in the Annual Report	D.5.1	Complied with This requirement is met through the presentation of this report.

Section II – SHAREHOLDERS

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

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

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

COMPOSITION

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

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

AUTHORITY

The Committee is authorised to:

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

RESPONSIBILITIES

The IRMC is responsible for undertaking;

1. The matters specified and to ensure that the Company has a comprehensive risk management framework and to ensure that appropriate compliance policies and systems are in place
2. To assess all risk types, including but not limited to credit, the market, liquidity, operational and strategic risks to the Company, through appropriate risk indicators and management information
3. To ensure risk decisions are taken in accordance with established delegated authorities and corrective actions are taken to mitigate risks beyond the risk tolerance of the Committee on the basis of the Company's policies and regulatory and supervisory requirements
4. To monitor and assess the effectiveness of the Company's Risk Management System and the robustness of the risk management function.
5. To establish a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies relating to all areas of business operations.

OTHER

1. Decide upon appropriate recruitment, training and development for the Board, IRMC, Senior Management, Audit, Finance and Operations Divisions to ensure the requisite skills are available to monitor and control risk
2. Review results of internal audit reports, feedback from external auditors and any other regulations/ pronouncements/correspondence from external bodies which, consider the effectiveness and appropriateness of the control environment of the core business function and authorise specific action arising thereof
3. With the recommendations of the Committee, the Board has approved the Risk management policy and a policy framework for valuation of immoveable properties.

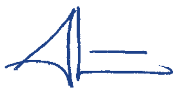
COMMITTEE EVALUATION

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

MEETINGS

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

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



Mr. Imal Fonseka
Chairman
Integrated Risk Management Committee

31st August 2020

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 (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f.29.03.2020)
2.	Mr. Imal Fonseka	Non-Independent, Non-Executive Director (Independent, Non-Executive Director w.e.f. 31st December 2019)
3.	Dr. Ravi Fernando	Independent, Non-Executive Director (Resigned w.e.f. 22.08.2019)
4.	Mr. Senaka De Saram	Independent, Non-Executive Director (Appointed w.e.f. 26.08.2019)

DUTIES AND RESPONSIBILITIES

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

REMUNERATION POLICY

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

ATTENDANCE AND SEEKING PROFESSIONAL ADVICE

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

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

FREQUENCY OF MEETINGS

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

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

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

Imal Fonseka
Chairman
Remuneration Committee

31st August 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

OBJECTIVE OF THE COMMITTEE

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

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

The Committee comprise of the following members.

1.	Mr. E.K.I. De Zoysa	Chairman (Independent, Non- Executive Director) (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)
2.	Ms. Champika Atapattu	Member (Non-Independent, Executive Director) (Resigned w.e.f. 02.08.2019)
3.	Dr. Ravi Fernando	Member (Independent, Non- Executive Director) (Resigned w.e.f. 22.08.2019)
4.	Mr. Imal Fonseka	Member (Non-Independent, Non-Executive Director) (Independent Non-Executive Director w.e.f 31.12.2019) (Appointed w.e.f. 02.08.2019)
5.	Mr. Senaka De Saram	Member (Independent, Non- Executive Director, (Appointed w.e.f. 26.08.2019)

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

DUTIES AND RESPONSIBILITIES

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

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

RELATED PARTY TRANSACTIONS/DISCLOSURES DURING THE YEAR

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

REVIEW PROCEDURE OF THE COMMITTEE

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

Frequency of Meetings

The Committee met three times during the period.

DECLARATION

The Declaration by the Board of Directors on compliance with the Listing Rules of the Colombo Stock Exchange and aforementioned rules on the Corporate Governance of Finance Companies on Related Party Transactions is contained on page 65 of the Annual Report of the Board of Directors on the Affairs of the Company.

On behalf of the Committee,

Mr. Imal Fonseka
Chairman
Related Party Transactions Review Committee

31st August 2020

REPORT OF THE AUDIT COMMITTEE

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

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises of Two Independent Non-Executive Directors and One Non-Independent Non-Executive Director as at 31st March 2020.

The Audit Committee comprised of the following members;

Mr. Senaka De Saram

(Chairman)

Independent, Non-Executive Director (Appointed w.e.f. 26.08.2019)

Mr. E.K.I. De Zoysa

Independent, Non-Executive Director (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)

Mr. Palitha Abeysekara

Non-Independent, Non-Executive Director (CBSL approval received for the resignation w.e.f. 01.06.2020)

Mr. Imal Fonseka

Non-Independent, Non-Executive Director (Resigned on 25.09.2019 and reappointed w.e.f. 18.05.2020 to the committee) (Independent, Non-Executive Director w.e.f. 31.12.2019 subject to the approval of the CBSL)

FUNCTIONS

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

AUTHORITY, DUTIES AND RESPONSIBILITIES

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

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

FINANCIAL REPORTING SYSTEM

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

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

MEETINGS

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

Name of Member	Audit Committee Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance
1. Mr. Senaka De Saram (Chairman) (Appointed w.e.f. 26.08.2019)	02	01	50%
2. Mr. E.K.I. De Zoysa (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)	06	03	50%
3. Mr. Palitha Abeysekera (Resigned w.e.f. 01.06.2020)	06	05	83%
4. Mr. Imal Fonseka (Resigned on 25.09.2019 and reappointed w.e.f. 18.05.2020)	04	04	100%

The Committee carried out the following activities;

FINANCIAL REPORTING

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

INTERNAL AUDIT

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

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

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

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

EXTERNAL AUDIT

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Company. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independent 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 2020, subject to the approval of the Shareholders at the Annual General Meeting.

CONCLUSION

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

Mr. Senaka De Saram
Chairman
Audit Committee

31st August 2020

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 2020 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, 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 2. 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 12 to 15 and in Chief Executive Officer's Review in pages 16 to 19.

FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No. 07 of 2007. The aforementioned Financial Statements for the year ended 31st March 2020 duly signed by two Directors on behalf of the Board are given on pages 77 to 128 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 74 to 76.

ACCOUNTING POLICIES

The Accounting Policies which are adopted by the Company in the preparation of Financial Statements are given on pages 81 to 96. They are consistent with those of the previous period.

THE BOARD OF DIRECTORS

As at 31st March 2020, the Board of Directors of the Company consist of six (06) members. The information of Directors of the Company is available in the Directors' Profiles in pages 20 to 23.

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

EXECUTIVE DIRECTORS

Mrs. C.J. Atapattu

Mr. P. Jayasundera

INDEPENDENT, NON- EXECUTIVE DIRECTORS

Mr. E.K.I De Zoysa- Chairman
(ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)

Mr. Senaka De Saram
(Appointed w.e.f. 19.08.2019)

Mr. H.F.I.S. Fonseka
(Independent, Non-Executive Director w.e.f. 31..12.2019 subject to the approval of CBSL)

NON-INDEPENDENT,NON-EXECUTIVE DIRECTORS

Mr. K.D.P.C. Abeysekara
(resigned w.e.f. 01.06.2020 as approved by the CBSL).

Mr. W.A. Lakshman
(resigned w.e.f. 01.06.2020 as approved by the CBSL)

Dr. K.P.B. Kulatunga
(Appointed w.e.f. 01.06.2020)

Ms. D.T de Alwis
(Appointed w.e.f. 01.06.2020)

NEW APPOINTMENTS AND RESIGNATIONS TO THE BOARD

Dr. R.A. Fernando resigned from the Board of Multi Finance PLC w.e.f 22.08.2019 as approved by the CBSL. Both Mr. K.D.P.C. Abeysekara and Mr. W.A. Lakshman resigned w.e.f. 01.06.2020 as approved by the CBSL.

On having obtained approval from the CBSL, Mr. Senaka De Saram and both Dr. K.P.B. Kulatunga and Ms. D.T de Alwis were appointed to the Board w.e.f. 19.08.2019 and 01.06.2020 respectively.

RETIREMENT BY ROTATION AND RE-ELECTION OF DIRECTORS

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

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

RELATED PARTY TRANSACTIONS

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

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

DIRECTORS' INTEREST

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

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

REMUNERATION AND FEES

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

RISK AND INTERNAL CONTROL

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

CORPORATE GOVERNANCE

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

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

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

STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITORS

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's report on the Financial Statements is given on pages 74 to 76 of the Annual Report.

STATED CAPITAL

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

BOARD SUBCOMMITTEES

The relevant subcommittee reports are given on pages 59 to 63.

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

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2020 are as follows.

	31.03.2020 Rs.	31.03.2019 Rs.
Mr. E.K.I. De Zoysa (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)	Nil	Nil
Ms. C.J. Atapattu	20,575	20,575
Mr. P. Jayasundera	Nil	Nil
Mr. H.F.I.S. Fonseka	Nil	Nil
Mr. K.D.P.C. Abeysekara (Resigned w.e.f. 01.06.2020)	Nil	Nil
Mr. W.A. Lakshman (Resigned w.e.f. 01.06.2020)	14,391	14,391
Dr .R.A. Fernando (Resigned w.e.f. 22.08.19)	Nil	Nil
Mr. Senaka De Saram (Appointed w.e.f. 19.08.2019)	Nil	Nil

SHAREHOLDERS

There were 864 shareholders registered as at 31st March 2020. The details of the distribution are given on page 129 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 129 to 130 under Investor Information.

EQUAL OPPORTUNITIES

The Company is committed in 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, other regulations and company's accounting and operational polices which are subject to further review by the Audit Committee as elaborated in the report of Audit Committee on pages 62 to 63.

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 statuary requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with the laws and regulations as applicable to the company.

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

RISK MANAGEMENT

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

ENVIRONMENTAL PROTECTION

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

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

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

STATUTORY PAYMENTS

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

GOING CONCERN

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

ANNUAL GENERAL MEETING

The Annual General Meeting of Multi Finance PLC will be held on 17th December 2020 at 2.30 p.m. at the Board Room of Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya via Zoom Audio / Video (Virtual AGM).

The notice of the Annual General Meeting appears on page 132.

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.

Imal Fonseka
Pro tem Chairman

Pushpike Jayasundera
Director/ CEO

Business Intelligence (Private) Limited
Secretaries

31st August 2020
Colombo

FINANCIAL INFORMATION

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 all regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2019/2020, 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

31st August 2020

INDEPENDENT AUDITORS' REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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TO THE BOARD OF DIRECTORS OF MULTI FINANCE PLC

We were engaged by the Board of Directors to provide assurance on the Directors' Statement on Internal Control ("Statement") of Multi Finance PLC ("Company") included in the annual report for the year ended 31 March 2020.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Licensed Finance Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and its subsequent amendments, by the Institute of Chartered Accountants of Sri Lanka.

AUDITOR'S INDEPENDENCE AND QUALITY CONTROL

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

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

AUDITOR'S RESPONSIBILITIES

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

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

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

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

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

a) Enquired the directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared the understanding to the statement made by the directors in the annual report.

b) Obtained the scope of work issued by the company's internal auditors PricewaterhouseCoopers (Private) Limited covering the following processes in the Head Office and branches and reviewed the documentation prepared by the internal auditors to support their findings reports.

- Collection and Recovery Process
- Finance Operations
- Treasury Operations
- Lending Operations
- Regulatory and Statutory Compliance
- Administration
- Payroll

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

OUR CONCLUSION

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

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

KPMG

Chartered Accountants
Colombo,

19 October 2020

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REQUIREMENT

In line with the section 10(2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013 and Principle D1.5 of Code of Best Practice on Corporate Governance 2017, the Board of Directors present this report on Internal Control over Financial Reporting.

RESPONSIBILITY

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

PROCESS OF EVALUATION

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

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

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

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

- Establishment of Board Subcommittees to assist the Board in ensuring the effectiveness of the Company's day to day operations and to ensure that all such operations are carried out in accordance with the policies and business directions that have been approved.

- Policies /Procedures are developed covering all functional areas of the Company and these are approved by the Board or Board approved committees. Such policies and procedures are reviewed and approved periodically.

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

CONFIRMATION

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

EXTERNAL AUDITORS CERTIFICATION

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

By Order of the Board

Mr. Senaka De Saram
Chairman – Board Audit Committee

Pushpike Jayasundera
Director/ CEO

31st August 2020

INDEPENDENT AUDITOR'S REPORT

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

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To the Shareholders of Multi Finance PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Multi Finance PLC ("the Company"), which comprise the statement of financial position as at March 31, 2020, 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 77 to 128.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN

We draw attention to Note 42 of the financial statements which indicates that the Company has not complied with the minimum regulatory core capital of 1,500mn as required by the Minimum Core Capital Direction No 02 of 2017.

Further the Company has incurred continuous losses over the past 5 years accumulated as at 31 March 2020 amounting to Rs.338,127,145. Additionally, the Central Bank of Sri Lanka has imposed restrictions on the Company's lending and deposit operations until the regulatory requirements pertaining to the minimum core capital requirements are complied with. 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 and generate positive cashflows and profits to reduce the erosion of capital.

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

KEY AUDIT MATTERS

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

1. IMPAIRMENT ALLOWANCE FOR LEASES, HIRE PURCHASE RECEIVABLES, ADVANCES AND OTHER LOANS

As described in Note 4.2.10 (Accounting policies) and Notes 16, 17 and 18, the Company has estimated impairment provision for leases, hire purchase receivables, advances and other loans of Rs. 171,740,058 as at 31st March 2020.

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

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

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

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

Our Response:

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

- ❖ Assessment of the methodology inherent within the process of provisioning for credit losses against the requirements of SLFRS 9 and the Guidelines issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) on the accounting considerations due to COVID 19 outbreak.
- ❖ Assessing how management had factored the impact of COVID 19 within the ECL model to determine whether it was appropriately considered in the measurement of ECLs at the reporting date.
- ❖ Challenging the key assumptions in the determination of credit losses and evaluating the reasonableness of management's key judgments and estimates in the scenario-based probability weighted impairment assessment of individually significant customers.
- ❖ Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and ECL models and assessment of economic information used within, and weightages applied to forward looking scenarios.
- ❖ Recalculation of ECL for a sample using the key assumptions used in the models, such as staging, 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;
- ❖ Assessing the completeness, accuracy and adequacy of the disclosures in the financial statements in relation to impairment of loans and advances to customers.

2. ACCOUNTING FOR DEFERRED TAX ASSETS

As described in Note 4.18 (ii) (Accounting policies) and Note 30 (Deferred tax assets) Company has estimated Rs. 19,547,631 as deferred tax assets as at 31st March 2020.

Risk Description

The Company had recognised Deferred Tax Assets in respect of deductible temporary differences and tax losses, which management considers would probably be utilised 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 the 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;

- ❖ Evaluating management's assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing management's forecasts of future taxable profits to historical results and evaluating the assumptions used in those forecasts.
- ❖ Challenging management's assessment of the timing of reversal of the existing taxable temporary differences against which the deductible temporary differences could be set off.
- ❖ Assessing the completeness, accuracy and 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.

INDEPENDENT AUDITOR'S REPORT

KPMG

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 fulfil the requirements of the Minimum Core Capital Direction No 02 of 2017 as at 31 March 2020 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.

KPMG

Chartered Accountants
Colombo, Sri Lanka

02 September 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	2020 Rs.	2019 Rs.
Income	5	218,656,172	297,381,813
Interest income	6	194,714,866	271,332,009
Interest expenses	7	(82,822,173)	(100,065,423)
Net interest income		111,892,693	171,266,586
Fee and commission income	8	13,076,871	15,185,357
Other income	9	10,864,435	10,864,447
Net income from operations		135,833,999	197,316,390
Operating expenses			
Personnel cost		(103,649,440)	(115,395,597)
Net impairment of financial assets measured at Fair Value Through Other Comprehensive Income		-	(32,386)
Depreciation of Property Plant & Equipments and Amortisation of Intangible Assets		(12,367,628)	(8,814,853)
Amortisation of Leased Assets		(15,112,448)	-
Other operating expenses		(81,432,468)	(100,476,734)
Total operating expenses		(212,561,984)	(224,719,570)
Profit/(Loss) before impairment and taxation		(76,727,985)	(27,403,180)
Impairment (charge)/reversal for loans and other losses	15	(26,694,551)	(42,774,119)
Profit/(Loss) before taxation and VAT on Financial Services	10	(103,422,536)	(70,177,299)
Tax on Financial Services	10.1	(568,717)	(8,442,123)
Profit/(Loss) before taxation		(103,991,253)	(78,619,422)
Income Tax (Expense)/Reversal	11	(37,744,537)	15,510,831
Loss for the period		(141,735,790)	(63,108,591)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligation	29.2	536,574	2,414,010
Tax on actuarial gain		(150,241)	(675,923)
		386,333	1,738,087
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of financial assets measured at Fair Value Through Other Comprehensive Income		15,147	(48,887)
		15,147	(48,887)
Other comprehensive income for the period, net of tax		401,480	1,689,200
Total comprehensive income / (expense) for the period		(141,334,310)	(61,419,391)
Loss per share (Rs.) (Annualized)	12	(2.23)	(0.99)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 81 to 128 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	2020 Rs.	2019 Rs.
ASSETS			
Cash and cash equivalents	13.1	6,356,430	41,943,205
Placements with Banks and other financial institutions	14	112,533,036	61,460,074
Rental receivable on Lease	16	230,499,827	398,694,138
Rental receivable on Hire Purchase	17	178,016	4,445,918
Advances and Other Loans	18	631,057,886	777,395,971
Other receivables	19	59,299,181	64,071,151
Repossessed Stock	20	5,780,000	15,443,999
Income tax receivables		5,227,629	4,992,927
Financial Assets Measured at Fair Value Through Other Comprehensive Income	21	2,084,089	8,103,623
Investment Property	22	66,785,500	16,142,750
Property, plant & equipment	23	21,544,464	31,827,815
Right of use Assets	24	32,326,744	-
Intangible assets	25	1,501,783	2,606,397
Deferred Tax Asset	30	19,547,631	57,442,409
TOTAL ASSETS		1,194,722,216	1,484,570,377
LIABILITIES			
Due to banks and financial institutions	13.2	17,367,053	48,509,429
Deposits due to customers	26	510,706,106	660,625,887
Other payables	27	49,697,199	52,058,157
Lease Liability	28	33,065,188	-
Retirement benefit obligation	29	6,736,055	4,891,980
TOTAL LIABILITIES		617,571,601	766,085,453
EQUITY			
Stated capital	31	898,375,289	898,375,289
Statutory Reserve Fund	32.1	5,389,222	5,389,222
General Reserve	32.2	11,266,050	11,266,050
Fair Value Reserve	32.3	247,199	232,052
Retained Earnings / (Accumulated Losses)		(338,127,145)	(196,777,689)
TOTAL EQUITY		577,150,615	718,484,924
TOTAL LIABILITIES AND EQUITY		1,194,722,216	1,484,570,377
Net Assets Per Share (Rs.)		9.07	11.30

Figures in brackets indicate deductions.
The accounting policies and notes from pages 81 to 128 form an integral part of these financial statements.
It is certified that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

A. M. Galbadaarachchi
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board of Directors of Multi Finance PLC

P. Jayasundera
Director / Chief Executive Officer

Imal Fonseka
Director

31st August 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

	Notes	Stated Capital Rs.	Statutory Reserve Fund Rs.	General Reserve Rs.	Fair Value Reserve Rs.	Retained Earnings/ (Accumulated Losses) Rs.	Total Rs.
Balance as at 01st April 2018		898,375,289	5,389,222	11,266,050	280,939	(109,505,702)	805,805,798
Adjustment on Impact of adopting SLFRS 9, net of tax		-	-	-	-	(25,901,482)	(25,901,482)
Restated 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		-	-	-	-	(63,108,591)	(63,108,591)
Other comprehensive income net of tax for the year							
Net actuarial Gains/(Losses) on defined benefit liability						1,738,087	1,738,087
Net change in fair value of financial assets measured at Fair Value Through Other Comprehensive Income	32.3	-	-	-	(48,887)	-	(48,887)
Balance as at 31st March 2019		898,375,289	5,389,222	11,266,050	232,052	(196,777,688)	718,484,925
Balance as at 01st April 2019		898,375,289	5,389,222	11,266,050	232,052	(196,777,688)	718,484,925
Profit/(Loss) for the Period		-	-	-	-	(141,735,790)	(141,735,790)
Other comprehensive income net of tax for the year							
Net actuarial Gains/(Losses) on defined benefit liability						386,333	386,333
Net change in fair value of financial assets measured at Fair Value Through Other Comprehensive Income	32.3	-	-	-	15,147	-	15,147
Balance as at 31st March 2020		898,375,289	5,389,222	11,266,050	247,199	(338,127,145)	577,150,615

Figures in brackets indicate deductions.

The accounting policies and notes from pages 81 to 128 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	2020 Rs.	2019 Rs.
Profit /(Loss) Before Taxation		(103,991,253)	(78,619,422)
Adjustments for :			
Provision for Retirement Benefit Plans	29.1	2,514,899	2,301,119
Depreciation on Property, Plant and Equipment	23	11,263,013	8,077,183
Amortisation of Leased Assets	24.2	15,112,448	-
Amortisation of Intangible Assets	25	1,104,615	737,670
(Profit)/Loss on Disposal of Property, Plant & Equipment	9	1,323,860	(488,828)
Impairment charge/(reversal) for loan and other advances	15	26,694,551	42,774,119
Profit from Sale of Dealing Securities	9	-	(58,242)
(Profit)/Loss on pawning auction	9	(23,502)	(94,592)
Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	32,386
(Profit)/Loss on disposal of Repossessed Stock		20,043,578	2,659,011
Interest Income on Government Securities	6	-	(701,461)
Dividend Income	9	(60,200)	-
Interest expense on Lease Liability	28	4,318,366	-
Interest Accrued on Fixed Deposit Investments	6	(4,266,561)	(8,913,011)
Interest Accrued on Reverse Repurchase Agreements	6	(3,514,871)	(1,201,948)
Gain/(Losses) from fair value changes of Investment Properties	9	3,494,716	-
Operating Profit before Working Capital Changes		(25,986,341)	(33,496,016)
Changes in working capital :			
(Increase)/Decrease in Investment in Hire purchase, Lease and Other Loans		204,192,205	(85,325,471)
(Increase)/Decrease in Other Receivables		4,974,265	(16,018,617)
(Increase)/Decrease in Repossessed Stock		9,663,999	(14,775,999)
Increase/ (Decrease) in Deposits from Customers		(149,919,780)	10,629,286
Increase / (Decrease) in Amounts Due to Related Party		818,663	-
Increase/ (Decrease) in Other Payables		(3,179,621)	(45,710,597)
Cash generated from / (Used in) Operating Activities		40,563,390	(184,697,414)
Income Tax Paid		(234,702)	(296,222)
Gratuity Paid	29	(134,250)	(132,300)
Net cash generated from / (used in) Operating Activities		40,194,438	(185,125,936)
Cash flows from / (Used in) Investing Activities			
Purchase of Property, Plant and Equipment	23	(2,478,021)	(27,544,830)
Purchase of Intangible Assets	25	-	(1,926,218)
Proceeds from sale of Property, Plant & Equipment		174,498	511,310
Disposal of Investment Properties		3,000,000	-
Net Investment in Reverse Repurchase Agreements		(55,000,000)	-
Net Investment in Fixed Deposits		10,987,288	171,609,568
Cash Received from Pawning Auction		5,233,600	6,181,240
Proceeds from disposal of dealing securities		-	576,410
Dividend income Receipt	9	60,200	-
Interest Received on Fixed Deposit Investments		3,952,090	8,913,011
Interest Received on Reverse Repurchase Agreements		2,601,478	1,201,948
Net cash generated from / (used in) Investing Activities		(31,468,867)	159,522,439
Cash flow from / (Used in) Financing Activities			
New share issue during the year		-	-
Payment of Lease liabilities	28	(13,169,970)	-
Net cash generated from / (used in) Financing Activities		(13,169,970)	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,444,399)	(25,603,497)
Cash & Cash Equivalents at the Beginning of the period		(6,566,224)	19,037,273
Cash & Cash Equivalents at the end of the period	13.1	(11,010,623)	(6,566,224)
Analysis of Cash & Cash Equivalents			
Favourable balance			
Cash at Bank		3,310,842	35,590,119
Cash in Hand		3,045,588	6,353,086
		6,356,430	41,943,205
Unfavourable balance			
Bank overdrafts		(17,367,053)	(48,509,428)
		(17,367,053)	(48,509,428)
		(11,010,623)	(6,566,224)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 81 to 128 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 2020 was 84 (as at 31 Match 2019 was 100)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The financial statements for the year ended 31st March 2020 were authorised for issue by the Board of Directors in accordance with the resolution passed on 31st August 2020.

2.2 Responsibility for Financial Statements

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

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

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

2.3 BASIS OF MEASUREMENT

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

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

This is the first set of the Company's annual financial statements in which SLFRS 16 – "Leases" has been applied. Changes to significant accounting policies are described in Note 3.

2.4 Functional and Presentation Currency

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

2.5 Presentation of Financial Statements

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

2.6 Materiality and Aggregation

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

2.7 Going Concern Basis for Accounting

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

2.8 Rounding

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

2.9 Comparative Information

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

2.10 Use of Estimates and 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 expenses. Actual amount may differ from these estimates.

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

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

- ❖ Note 4.2.3: Classification of financial assets - assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI (solely payments of principal and interest) in the principal amount outstanding.
- ❖ Note 4.2.10: 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.
- ❖ Note 4.11: Measurement of defined benefit obligations – key actuarial assumptions
- ❖ Note 4.18(ii): Recognition of deferred tax assets - availability of future taxable profit against which carry-forward tax losses can be used.
- ❖ Note 4.2.10: Impairment of financial assets – key assumptions used in estimating recoverable cash flows
- ❖ Note 4.2.9: Fair value measurement of investment properties – use of significant unobservable inputs
- ❖ Note 4.4.2: Useful lives of property, plant and equipment – review of the residual values, useful lives and methods of depreciation at each reporting date.

2.10.1 Impact of COVID 19

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

- ❖ the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- ❖ the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- ❖ the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Company has developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

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

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

3. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

The Company applied SLFRS 16 with a date of initial application of 01 April 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below. A number of other new standards are also effective from 01 April 2019 but they do not have a material effect on the company's financial statements.

The Company applied SLFRS 16 using the modified retrospective approach, at the date of initial application under which no cumulative effect of initial application is recognised in retained earnings at 01 April 2019. Accordingly, the comparative information presented for 2018/19 is not restated i.e. it is presented as previously reported under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below, additionally the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.1 Definition of Lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee 4 (IFRIC 4). Under SLFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.5.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

3.2 As a Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand alone price.

However, for leases of property the Company has elected not to separate non lease components and account for the lease and associated non lease components as a single lease component.

Leases classified as operating leases under LKAS 17

On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 01 April 2019. Right-of-use assets are measured at an amount equal to lease liability adjusted by the amount of any prepayments.

The Company has tested its right of use assets for impairment on the date of transition and has concluded that there is no indication that the right of use assets are impaired.

The Company used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3.2.1 As a Lessor

The Company is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with SLFRS 16 from the date of initial application.

Under SLFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company did not have any sub lease arrangements.

3.3 Impact on Financial Statements

On transition to SLFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities. The impact on transition to the Statement of Financial Position on 1 April 2019 is summarised below.

	Note	1st April 2019 Rs.
Right-of-use assets recognition	24	47,439,192
Prepaid lease rentals		(5,522,400)
Lease liabilities	28	41,916,792
Retained earnings		-

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019. Incremental borrowing rate applied is 12%.

Operating lease commitments as at 31 March 2019	52,510,983
Discounted using the incremental borrowing rate	(10,594,191)
Lease liabilities due to initial application of SLFRS 16, recognised as at 1 April 2019	41,916,792

4. 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.

4.1 Foreign Currency - Foreign currency transactions

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

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

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

4.2 Financial Instruments

4.2.1 Recognition and Initial Measurement

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

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

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

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

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

4.2.2 "Day 1" Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (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.

4.2.3 Classification and Subsequent Measurement

a) Financial assets – Classification

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

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

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

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

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

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

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

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

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

Financial assets - Business model assessment

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

- ❖ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

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

b) Financial assets – Subsequent measurement and gains and losses

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

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

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

Financial liabilities measured at amortised cost include "Deposits Due to Customers", "Due to Banks and Financial Institutions" and "Other Payables".

4.2.5 Derecognition of Financial Assets and Financial Liabilities

4.2.5.1 Financial Assets

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

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

(i) the consideration received (including any new asset obtained less any new liability assumed) and

(ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

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

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

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

4.2.5.2 Financial Liabilities

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

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

4.2.6 Modification of financial assets and financial liabilities

4.2.6.1 Financial assets

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

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

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

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

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

4.2.6.2 Financial liabilities

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

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

4.2.7 Offsetting of Financial Instruments

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

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

4.2.8 Amortised Cost Measurement

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

4.2.9 Determination of Fair Value

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

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

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

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

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

Level 1

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

Level 2

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

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

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

Level 3

Inputs that are unobservable.

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

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

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

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

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

4.2.10 Identification, Measurement and Assessment of Impairment of Financial Assets

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

4.2.11 Measurement of ECL

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

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

4.2.12 Restructured financial assets

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

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

4.2.13 Credit-impaired financial assets

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

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

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

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

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

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

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

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

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

4.2.15 Write-off

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

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

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

4.2.16 Movement between the stages

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

4.2.17 Grouping financial assets measured on collective basis

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Judgment/ Assumption	Description	Changes and considerations for the year ended 31 March 2020
Determining when a significant increase in credit risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'stage 1' to 'stage 2'. This is a key area of judgement since transition from stage 1 to stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from stage 2 to stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance.	Various initiatives, such as payment holidays and deferrals have been offered to customers recognising the potential detrimental impact of COVID-19. Such offers, if accepted, are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade customer facilities.
Forward looking information	The Company derives forward looking economic scenarios which reflects Multi Finance's view of the most likely future macro economic conditions.	The macro economic variables and the related forecasts have been updated to reflect the rapidly evolving situation with respect to COVID-19.

4.2.18 Incorporating Forward Looking Information

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

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

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

4.2.19 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/ guarantees, real estate, receivables, inventories, 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.

4.3 Repurchase agreements

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

4.4 Non-Financial Assets

4.4.1 Intangible Assets

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

(a) Basis of Recognition

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

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

(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 amortisation and any accumulated impairment losses.

(b) Subsequent Expenditure

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

(c) Amortisation

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

(d) Retirement and Disposal

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

4.4.2 Property, Plant and Equipment

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

(a) Basis of Recognition

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

(b) Measurement

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

(c) Subsequent Costs

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

(d) De-recognition

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

(e) Depreciation

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

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

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

4.4.3 Investment Properties

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

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

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

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

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

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

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

4.4.4 Impairment of non-financial assets

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

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

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

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

4.5 Leases

The Company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately as they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 3.3.

Policy applicable from 01 April 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either: the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on a rate, initially measured using the rate as at the commencement date; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

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

As a Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 01 April 2019

For contracts entered into before 01 April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a Lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a Lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

4.6 Dividends Payable

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

4.7 Deposits due to Customers

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

4.8 Debt Securities Issued and Subordinated Term Debts

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

4.9 Other Liabilities

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

4.10 Provisions

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

4.11 Employee Retirement Benefits

(a) Defined Benefit Plan

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

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

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

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

The gratuity liability is not externally funded.

(b) Defined Contribution Plan

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

(i) Employees' Provident Fund

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

(ii) Employees' Trust Fund

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

4.12 Interest Income and Expense

Effective interest rate

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

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

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

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

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

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

Amortised cost and gross carrying amount

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

Presentation

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

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

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

- ❖ financial liabilities measured at amortised cost; and

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

4.13 Dividend Income

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

4.14 Fee and Commission Income

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

4.15 Profit /(Loss) from Sale of Lease Assets

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

4.16 Expense Recognition

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

4.17 Fee and Commission Expenses

Fee and commission expenses are recognised on an accrual basis.

4.18 Income Tax Expense

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

(i) Current Tax

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

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

(ii) Deferred Tax

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

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

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

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

(iii) Value Added Tax on Financial Services

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

NOTES TO THE FINANCIAL STATEMENTS

(iv) Nation Building Tax on financial services (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act. Nation Building Tax was abolished with effect from 01st December 2019.

(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. The levy has been abolished from 01st January 2020.

4.19 Statement of Cash Flows

The Cash Flow Statement has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards (LKAS) 7 "Cash Flow Statements". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and balance in banks.

4.20 Segmental Reporting

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

4.21 Commitment and Contingencies

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

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

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for the financial periods beginning on or after 1 April 2020.

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

I. Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards.

II. Definition of material (amendments to LKAS 1 and LKAS 8)

5 INCOME

For the year ended 31st March	2020 Rs.	2019 Rs.
Interest Income (Note 6)	194,714,866	271,332,009
Fee and commission Income (Note 8)	13,076,871	15,185,357
Other Income (Note 9)	10,864,435	10,864,447
	218,656,172	297,381,813

6 INTEREST INCOME

For the year ended 31st March	2020 Rs.	2019 Rs.
Lease Finance	55,930,569	77,538,338
Hire Purchase	246,870	1,236,064
Loans	60,305,325	131,534,496
Fixed Deposit Loans	6,039,179	7,830,483
Pawning	62,966,263	42,032,269
Reverse Repurchase Agreements	3,514,871	1,201,948
Treasury Bonds	-	701,461
Placements with Banks and other financial institutions	4,266,561	8,913,011
Money market/ Savings interest	1,445,228	343,939
	194,714,866	271,332,009

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 hither to 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. 28,941 (2019 : Rs. 137,775). 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	2020 Rs.	2019 Rs.
Fixed Deposits	76,910,379	93,327,885
Savings Deposits	549,825	423,691
Interest expense on Lease Liability	4,318,366	-
OD interest	1,043,603	6,313,847
	82,822,173	100,065,423

NOTES TO THE FINANCIAL STATEMENTS

8 FEE AND COMMISSION INCOME

For the year ended 31st March	2020 Rs.	2019 Rs.
Default Charges	11,038,928	11,822,458
Service / Documentation Charges	204,200	2,015,524
Transfer fee	282,726	321,779
Other Charges	1,551,017	1,025,596
	13,076,871	15,185,357

9 OTHER INCOME

For the year ended 31st March	2020 Rs.	2019 Rs.
Insurance Commission	926,212	1,075,661
Profit/(Loss) on disposal of Fixed Assets	(1,323,860)	488,828
Profit/(Loss) on Repossessed Stock	-	(2,659,011)
Profit on Pawning Auction	23,502	94,592
Termination Income on Lease, Hire Purchase & Loans	7,355,927	8,270,788
Recovery of bad debts	7,238,129	2,943,136
Dividend Income	60,200	51,610
Profit from Sale of Dealing Securities	-	58,242
Gain/(Losses) from fair value changes of Investment Properties	(3,494,716)	-
Sundry Income	79,041	540,601
	10,864,435	10,864,447

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		2020 Rs.	2019 Rs.
Auditor's Remuneration		1,270,000	1,200,000
Depreciation of Property, Plant and Equipment (Note 23)		11,263,013	8,077,184
Amortisation of Intangible Assets (Note 25)		1,104,614	737,670
Personnel Costs include,			
Directors' Emoluments		11,556,800	12,256,800
Salaries and wages		58,051,185	66,045,352
Defined Contribution Plan -	EPF	8,142,273	9,068,000
	ETF	2,035,568	2,267,000
Other Staff related Cost		21,348,715	23,457,330
Defined Benefit Plan - Retirement obligation		2,514,899	2,301,115

10.1 TAX ON FINANCIAL SERVICES

For the year ended 31st March	2020 Rs.	2019 Rs.
VAT on financial services	512,349	7,448,932
NBT on financial services	56,368	993,191
	568,717	8,442,123

11 INCOME TAX EXPENSES

For the year ended 31st March	2020 Rs.	2019 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
	-	785,917
Deferred Tax Charge / (Reversal) for the Year (Note 30)	37,744,537	(16,296,748)
Total charge/(reversal) to Profit or Loss	37,744,537	(15,510,831)
Deferred Tax Charge / (Reversal) recognised in (OCI) (Note 30)	150,241	675,923
Total charge/(reversal) in OCI	150,241	675,923

11.1 RECONCILIATION BETWEEN ACCOUNTING LOSS AND TAXABLE LOSS

For the year ended 31st March	2020 Rs.	2019 Rs.
Accounting Profit/(Loss) before Income Tax expenses	(103,991,253)	(78,619,422)
Income from other sources and exempt income	1,263,660	(598,670)
Aggregate Disallowed Items	131,840,646	146,859,049
Aggregate Allowable Expenses	(128,359,041)	(94,479,796)
Assessable Charge or (Balancing Allowance) on depreciable assets	(1,864,781)	460,736
Taxable Profit / (Loss) - Leased assets	8,167,067	(26,798,944)
Taxable Profit / (Loss)	(92,943,702)	(53,177,045)
Tax loss claimed during the year	-	-
Assessable Income/ Taxable Profit / (Loss)	(92,943,702)	(53,177,045)
Income tax @ 28%	-	-

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.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	2020 Rs.	2019 Rs.
Tax loss B/F	162,402,682	110,400,869
Adjustment to Tax loss brought forward	(3,178,459)	(1,175,232)
Tax loss for the year	92,943,702	53,177,045
Tax loss utilised during the year	-	-
Tax loss C/F	252,167,925	162,402,682

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	2020 Rs.	2019 Rs.
Loss attributable to ordinary share holders (Rs.)	(141,735,790)	(63,108,592)
Weighted average number of ordinary shares outstanding during the year	63,610,181	63,610,181
Earnings/(Loss) per share (Rs.)	(2.23)	(0.99)

12.1 DILUTED EARNING PER SHARE

There were no potentially dilutive ordinary shares as at 31.03.2020 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of earning per share.

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

As at 31st March	2020 Rs.	2019 Rs.
13.1 Cash and cash equivalents		
Cash at Bank	3,310,842	35,590,119
Cash in Hand	3,045,588	6,353,086
	6,356,430	41,943,205
13.2 Due to banks and financial institutions		
Bank overdrafts	(17,367,053)	(48,509,429)
	(17,367,053)	(48,509,429)
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	(11,010,623)	(6,566,224)

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31st March	2020 Rs.	2019 Rs.
Investment in Reverse Repurchase Agreements	61,919,132	-
Investment in Fixed Deposits	50,613,904	61,460,074
	112,533,036	61,460,074

15 IMPAIRMENT CHARGE/(REVERSAL) FOR LOANS OTHER LOSSES

For the year ended 31st March	2020 Rs.	2019 Rs.
Impairment charge/(reversal) for loan and other advances (15.1)	31,415,115	31,267,112
Impairment charge/(reversal) for Other receivable	1,074,061	-
Impairment charge/(reversal) for Repossessed Stock	(5,917,090)	7,040,879
Loans and receivable write off	-	4,466,128
Other receivable balances write off (Note 19.3)	122,465	-
	26,694,551	42,774,119

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

Impairment charge/(reversal) for lease, hire purchase & advances and other loans for 2019/2020

	Stage 1 Collective Rs.	Stage 2 Collective Rs.	Stage 3 Collective Rs.	Individual Rs.	Total Rs.
Lease	1,222,575	(2,984,391)	6,573,009	28,312,491	33,123,684
Hire Purchase	-	(134,309)	26,693	-	(107,616)
Advances and Other Loans	(1,753,892)	(2,851,692)	(3,255,395)	6,260,026	(1,600,953)
Charge For The Year	(531,317)	(5,970,392)	3,344,307	34,572,517	31,415,115

15.2 Allowance for expected credit losses as at 31.03.2020

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

15.3 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	260,383	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	39,215,965	77,533,536	140,324,943

16 RENTALS RECEIVABLE ON LEASED ASSETS

As at 31st March	2020 Rs.	2019 Rs.
Receivable from over five years		
Rentals Receivable	940,331	940,332
Unearned Income	(47,782)	(47,782)
Rentals Received in Advance	-	-
	892,549	892,550
Receivable from one to five years		
Rentals Receivable	209,263,921	404,911,269
Unearned Income	(39,743,690)	(98,096,074)
Rentals Received in Advance	-	-
	169,520,231	306,815,195
Receivable within one year		
Rentals Receivable	157,791,796	183,281,024
Unearned Income	(41,400,492)	(68,786,694)
Rentals Received in Advance	(291,100)	(618,465)
	116,100,204	113,875,865
Total		
Total Rentals Receivable	367,996,048	589,132,625
Unearned Income	(81,191,965)	(166,930,550)
Rentals Received in Advance	(291,100)	(618,465)
Provision for impairment of finance leases (Note 16.1)	(56,013,156)	(22,889,472)
	230,499,827	398,694,138

16.1 Movement in Impairment Charge for Rentals Receivable on Leased Assets

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 01 April	-	812,110
SLFRS 09 Adjustment	-	4,555,191
Adjusted balance as at 01 April	22,889,472	5,367,301
Provision during the year	33,123,684	17,522,171
Balance at the end of the year	56,013,156	22,889,472

17 RENTALS RECEIVABLE ON HIRE PURCHASE

As at 31st March	2020 Rs.	2019 Rs.
Receivable from over five years	-	-
Rentals Receivable	-	-
Unearned Income	-	-
Rentals Received in Advance	-	-
	-	-
Receivable from one to five years		
Rentals Receivable	-	998,590
Unearned Income	-	(36,387)
Rentals Received in Advance	-	-
	-	962,203
Receivable within one year		
Rentals Receivable	358,937	4,228,708
Unearned Income	-	(353,712)
Rentals Received in Advance	-	(102,743)
	358,937	3,772,253
Total		
Rentals Receivable	358,937	5,227,298
Unearned Income	-	(390,100)
Rentals Received in Advance	-	(102,743)
Provision for impairment of Hire Purchase (Note 17.1)	(180,921)	(288,537)
	178,016	4,445,918

17.1 Movement in Impairment Charge for Hire Purchase Receivables

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 01 April	-	393,641
SLFRS 09 Adjustment	-	1,080,159
Adjusted balance as at 01 April	288,537	1,473,800
Reversal during the year	(107,616)	(1,185,263)
Balance at the end of the year	180,921	288,537

NOTES TO THE FINANCIAL STATEMENTS

18 ADVANCE AND OTHER LOANS

As at 31st March	2020 Rs.	2019 Rs.
Net Investment in Loans (Note 18.1)	311,542,815	513,323,632
Net Investment in Loans against Fixed Deposits (Note 18.2)	19,249,284	46,107,910
Net Investment in Pawning Advances (Note 18.3)	300,265,787	217,964,429
	631,057,886	777,395,971

18.1 Net Investment in Loans

As at 31st March	2020 Rs.	2019 Rs.
Loan Rental Receivable	330,308,120	584,534,429
Rentals in arrears	186,697,043	193,621,527
Unearned Income	(87,431,115)	(146,835,422)
Rentals Received in Advance	(2,518,963)	(862,977)
Provision for Impairment (18.4)	(115,512,270)	(117,133,925)
	311,542,815	513,323,632

18.2 Net Investment in Loans against Fixed Deposits

As at 31st March	2020 Rs.	2019 Rs.
Fixed Deposit Loan Rental Receivable	19,083,513	45,385,744
Rentals in Arrears	165,771	722,166
	19,249,284	46,107,910

18.3 Net Investment in Pawning Advances

As at 31st March	2020 Rs.	2019 Rs.
Pawning Advance	282,881,207	210,864,944
Interest Receivable on Pawning Loans	17,418,292	7,112,494
Provision for Impairment (18.4)	(33,712)	(13,009)
	300,265,787	217,964,429

18.4 Movement in Impairment Charge for Loans and Pawning Advances

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 01 April	-	71,877,800
SLFRS 09 Adjustment	-	30,338,929
Adjusted balance as at 01 April	117,146,934	102,216,729
Provision/(reversal) during the year	(1,600,953)	14,930,205
Balance at the end of the year	115,545,981	117,146,934

19 OTHER RECEIVABLES

As at 31st March	2020 Rs.	2019 Rs.
Receivable from Entrust Securities PLC	-	119,260
Other Receivables (Note 19.1)	24,695,032	23,479,649
Deposits and Prepayments (Note 19.2)	34,604,149	40,472,242
	59,299,181	64,071,151

19.1 OTHER RECEIVABLE

As at 31st March	2020 Rs.	2019 Rs.
Value Added Tax Receivable	944,717	1,018,566
VAT on Financial Services	4,319,162	4,887,878
Debt Repayment Levy Receivable	1,841,942	1,841,942
ESC Receivable	3,332,534	3,357,134
Crop Insurance Levy Receivable	125,464	125,464
Others	18,733,471	15,776,861
Less. Provision for other receivables	(4,602,258)	(3,528,196)
	24,695,032	23,479,649

19.2 DEPOSITS AND PREPAYMENTS

As at 31st March	2020 Rs.	2019 Rs.
Deposits	555,500	555,500
Rent Deposits	5,335,000	5,335,000
Prepayments	28,713,649	34,581,742
	34,604,149	40,472,242

19.3 WRITE OFF OF OTHER RECEIVABLE BALANCES

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

	2020 Rs.
Receivable from Entrust Securities PLC	119,259
Receivable from Entrust Limited	3,206
	122,465

20 REPOSSESSED STOCK

As at 31st March	2020 Rs.	2019 Rs.
Repossessed Stock	7,767,370	23,348,460
Less: Provision for decrease in value	(1,987,370)	(7,904,461)
	5,780,000	15,443,999

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	2020 Rs.	2019 Rs.
Quoted Shares Investments (Note 21.1)	-	-
Non Quoted Shares Investment (Note 21.2)	2,500	2,500
Investment in Long Term Government Securities (Note 21.3)	2,081,589	8,101,123
	2,084,089	8,103,623

21.1 Quoted Share Investment

As at 31st March	2020			2019		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Entrust Securities PLC (Note 21.1.1)	100,000	5,157,120	-	100,000	5,157,120	-
	100,000	5,157,120	-	100,000	5,157,120	-
Less : Provision for diminution in value		(5,157,120)			(5,157,120)	
		-			-	

21.1.1 Mark to Market Valuation

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

21.2 Non Quoted Shares Investment

As at 31st March	2020 Rs.	2019 Rs.
Credit Information Bureau of Sri Lanka	2,500	2,500

21.3 Investment in Long Term Government Securities

As at 31st March	2020 Rs.	2019 Rs.
Face value	2,000,000	6,340,000
Amortised cost	2,041,828	8,076,508
Market value	2,081,589	8,101,123

Investments in government debt securities measured at FVOCI have interest rates of 8.0% to 9.0% (2019: 8.0% to 9.0%) and mature in one to two years.

22 INVESTMENT PROPERTY

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 1st April	16,142,750	-
Addition during the year	57,137,466	16,142,750
Change in fair value	(3,494,716)	-
Disposal during the year	(3,000,000)	-
Balance as at 31st March	66,785,500	16,142,750

22.1 DETAILS OF INVESTMENT PROPERTIES

Description of the Properties	Location	Valuation technique	Extent	Name of the Valuer	Fair Value 2020 Rs.	Fair Value 2019 Rs.	Significant Unobservable Inputs	Interelationship between Key Unobservable inputs and Fair Value Measurement
Land	Nattarampotha	Market approach	46.14 P	Sarath G. Fernando (FIV) Chartered Valuer	6,671,500	8,142,750	Valuer has used market price per perch for similar land based on adjusted fair value taking in to account of other valuation considerations. (i.e. Rs. 50,000 to 225,000 per perch.)	The estimated fair value would increase/ (decrease) if - Market value per perch was higher/(lower)
	Doratiyawa	Market approach	92.50 P	M.A.Ananda Sarath (FIV) Incorporated Valuer	2,850,000	5,000,000	Valuer has used market price per perch for similar land based on adjusted fair value taking in to account of other valuation considerations. (i.e. Rs. 75,000 per perch.)	
Condominium Apartment	Rajagiriya	Market approach	2,386 sq.ft	A.R.Ajith Fernando (FRICS), Chartered Valuation surveyor	57,264,000	-	Valuer has used market price per sqft for similar properties based on adjusted fair value taking in to account of other valuation considerations. (i.e. Rs. 24,000 per sq. ft)	The estimated fair value would increase/ (decrease) if - Market value per sq.ft. was higher/(lower)
					66,785,500	13,142,750		

As a part of a loan settlement, the Company obtained an apartment during the year, 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 valuations obtained as mentioned above.

Company disposed a land during the year which was recognised as investment property. The land was sold for Rs. 3 Mn. where as the carrying value was also Rs. 3 Mn.

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

22.2 Fair value hierarchy

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

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

Valuation techniques and significant unobservable inputs

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

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

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

22.4 Capitalisation of borrowing costs into investment properties

No borrowing cost capitalised for the year ended 31st March 2020 (2019 - Rs. Nil).

22.5 Contractual obligations to construct and develop investment properties

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

22.6 Rental income recognised in Profit/Loss

No rental income was recognised from investment properties during the year

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

There were no direct operating expenses incurred in relation to the above investment properties.

23 PROPERTY,PLANT AND EQUIPMENT

23.1

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

23.2

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

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

As at 31st March	2020 Rs.	2019 Rs.
Description		
Computers	10,577,166	9,840,245
Furniture & Fittings	1,232,390	1,287,743
Office Equipment	6,995,152	6,747,119
Motor Vehicles	1,498,201	2,441,109
	20,302,909	20,316,216

23.4 Title Restriction on Property, Plant and Equipments

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

23.5 Property, Plant and Equipment Pledged as Security for Liabilities

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

23.6 Temporarily Idle Property, Plant and Equipments

The carrying amount of the temporarily idle property, plant and equipment is Rs. 1,758,018.

NOTES TO THE FINANCIAL STATEMENTS

24 RIGHT OF USE ASSETS

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

24.1 Cost

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 01 April	-	-
Recognition of ROU assets on initial application of SLFRS 16	47,439,192	-
Additions and Improvements	-	-
Balance as at 31 March	47,439,192	-

24.2 Amortisation

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 01 April	-	-
Amortisation expenses for the year	15,112,448	-
Accumulated Amortisation as at 31 March	15,112,448	-

24.3

Net Book Value as at 31 March	32,326,744	-

25 INTANGIBLE ASSETS

As at 31st March	2020 Rs.	2019 Rs.
Cost		
Balance at the beginning of the year	20,082,603	18,156,385
Additions during the period	-	1,926,218
Disposal during the period	(6,750,756)	-
Balance at the end of the year	13,331,847	20,082,603
Amortisation		
Balance at the beginning of the year	17,476,206	16,738,536
Charge for the year	1,104,614	737,670
Disposal during the period	(6,750,756)	-
Balance at the end of the year	11,830,064	17,476,206
Carrying Value at the end of the year	1,501,783	2,606,397

26 DEPOSITS DUE TO CUSTOMERS

As at 31st March	2020 Rs.	2019 Rs.
Fixed Deposits	501,243,271	655,092,850
Saving Deposits	9,462,835	5,533,037
	510,706,106	660,625,887

27 OTHER PAYABLE

As at 31st March	2020 Rs.	2019 Rs.
Payable to Suppliers	-	700,000
Statutory Payables (Note 27.1)	199,683	1,205,395
Accrued Expenses	8,818,897	6,588,190
Other Payables	7,236,291	5,581,636
Payable to Entrust Limited (Note 27.2)	32,227,455	37,586,727
Payable to Fairway Holdings	1,214,873	396,209
	49,697,199	52,058,157

27.1 STATUTORY PAYABLES

As at 31st March	2020 Rs.	2019 Rs.
Withholding Tax	29,551	393,710
ESC Payable	-	457,431
Stamp Duty	170,132	354,254
	199,683	1,205,395

27.2 Amount payable to Entrust Limited (EL) includes cash collected and not yet remitted to EL in relation to the portfolio disposed during the year 2015, amounting to Rs.32,227,455/- (2019-Rs. 37,586,727/-). This balance is presented net, after setting off a repo receivable balance of Rs.54 Mn from Entrust Securities Limited, against total payable due to EL, based on the legal confirmation obtained on 23 June 2017 confirming that there is no bar to setting off the above as explained.

28 LEASE LIABILITY

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

As at 31st March	2020 Rs.	2019 Rs.
Balance as at 01 April	-	-
Recognition of Lease Liability on initial application of SLFRS 16	41,916,792	-
Additions	-	-
Interest on Lease Liabilities	4,318,366	-
Payments	(13,169,970)	-
Balance as at 31 March	33,065,188	-

29 RETIREMENT BENEFIT OBLIGATION

As at 31st March	2020 Rs.	2019 Rs.
Balance at the beginning of the year	4,891,980	5,137,175
Amount recognised in Profit or Loss (Note 29.1)	2,514,899	2,301,115
Amount recognised in Other Comprehensive Income (Note 29.2)	(536,574)	(2,414,010)
	6,870,305	5,024,280
Payments during the year	(134,250)	(132,300)
Balance at the end of the year	6,736,055	4,891,980

NOTES TO THE FINANCIAL STATEMENTS

29.1 Expenses recognised in the statement of profit or loss

As at 31st March	2020 Rs.	2019 Rs.
Current Service Cost	1,976,782	1,767,877
Interest on obligation	538,117	533,238
	2,514,899	2,301,115

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

As at 31st March	2020 Rs.	2019 Rs.
Experience adjustment	(102,720)	(624,131)
Demographic and Financial assumptions	(433,854)	(1,789,879)
Remeasurement of retirement benefit obligation	(536,574)	(2,414,010)

29.3 An Independent Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2020 by Mr. P.S. Goonetilleke of Piyal S Goonetilleke and Associates, a firm of professional actuaries.

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

The key assumptions used by the actuary include the following,

As at 31st March	2020	2019
i) Rate of Interest (per annum) :	10.00%	11.00%
ii) Rate of Salary Increase (per annum) :	5.00%	10.00%
iii) Retirement Age	55 years	55 years
iv)The company will continue as a going concern.		

The liability is not externally funded.

29.4 Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

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

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

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)

30 DEFERRED TAXATION

As at 31st March	Asset 2020 Rs.	Asset 2019 Rs.	Liability 2020 Rs.	Liability 2019 Rs.	Net 2020 Rs.	Net 2019 Rs.
Property, Plant and Equipment	-	-	813,484	1,504,718	813,484	1,504,718
Lease Rental Receivable	-	-	10,660,792	14,651,194	10,660,792	14,651,194
Right of use Assets	(206,764)	-	-	-	(206,764)	-
Retirement Benefit Obligation	(1,886,095)	(1,369,754)	-	-	(1,886,095)	(1,369,754)
Carried forward Disallowed Impairment (including SLFRS 9 day one impact)	(19,547,633)	(26,755,816)	-	-	(19,547,633)	(26,755,816)
Carried forward Tax losses	(8,402,895)	(45,472,751)	-	-	(8,402,895)	(45,472,751)
Investment Property	(978,520)	-	-	-	(978,520)	-
	(31,021,907)	(73,598,321)	11,474,276	16,155,912	(19,547,631)	(57,442,409)

30.1 RECONCILIATION OF DEFERRED TAX

	Balance 1st April 2018 Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Recognised in Equity Rs.	Balance 31st March 2019 Rs.	Balance 1st April 2019 Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance 31st March 2020 Rs.
Liability									
Property, Plant and Equipment	1,031,641	473,077	-	-	1,504,718	1,504,718	(691,234)	-	813,484
Lease Rental Receivable	14,502,266	148,928	-	-	14,651,194	14,651,194	(3,990,402)	-	10,660,792
	15,533,907	622,005	-	-	16,155,912	16,155,912	(4,681,636)	-	11,474,276
Assets									
Retirement Benefit Obligation	(1,438,409)	(607,268)	675,923	-	(1,369,754)	(1,369,754)	(666,582)	150,241	(1,886,095)
Allowance for loan losses	(14,932,040)	(1,750,978)	-	(10,072,798)	(26,755,816)	(26,755,816)	7,208,183	-	(19,547,633)
Carried forward Tax losses	(30,912,244)	(14,560,507)	-	-	(45,472,751)	(45,472,751)	37,069,856	-	(8,402,895)
Right of Use Assets/ Lease Liability	-	-	-	-	-	-	(206,764)	-	(206,764)
Investment Property	-	-	-	-	-	-	(978,520)	-	(978,520)
	(47,282,693)	(16,918,753)	675,923	(10,072,798)	(73,598,321)	(73,598,321)	42,426,173	150,241	(31,021,907)
	(31,748,786)	(16,296,748)	675,923	(10,072,798)	(57,442,409)	(57,442,409)	37,744,537	150,241	(19,547,631)

30.2 Unrecognised deferred tax assets

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

	2020 Gross amount Rs.	2020 Tax effect Rs.
Carried forward Tax losses	222,157,586	62,204,124
	222,157,586	62,204,124

31 STATED CAPITAL

As at 31st March	2020 Rs.	2019 Rs.
Issued and Fully Paid:		
Ordinary Shares	898,375,289	898,375,289
Shares Issued during the year	-	-
Balance at the end of the year (Ordinary Shares 63,610,181)	898,375,289	898,375,289

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

32 RESERVES

32.1 Statutory Reserve

As at 31st March	2020 Rs.	2019 Rs.
Balance at the beginning of the year	5,389,222	5,389,222
Transfer during the year	-	-
Balance at the end of the year	5,389,222	5,389,222

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

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

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

32.2 General Reserve

As at 31st March	2020 Rs.	2019 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

32.3 Fair Value Reserve

As at 31st March	2020 Rs.	2019 Rs.
Balance at the beginning of the year	232,052	280,939
Impact of charge in fair value	15,147	(48,887)
Balance at the end of the year	247,199	232,052

The fair value reserve comprises:

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

33 FINANCIAL INSTRUMENTS

33.1 Financial Instruments - Statement of Financial Position

Financial Assets

As at 31st March 2020	Note	Measured at Amortised Cost	Assets at fair value		Total
			Fair Value Through Profit & loss	Fair Value Through OCI	
		Rs.	Rs.	Rs.	Rs.
Cash at Bank & in Hand	13.1	6,356,430	-	-	6,356,430
Placements with Banks and other financial institutions	14	112,533,036	-	-	112,533,036
Rental receivables on Lease	16	230,499,827	-	-	230,499,827
Rental receivables on Hire purchase	17	178,016	-	-	178,016
Advances and Other Loans	18	631,057,886	-	-	631,057,886
Financial Assets Measured at FVOCI	21	-	-	2,084,089	2,084,089
Total Financial Assets		980,625,195	-	2,084,089	982,709,284
Other Non Financial Assets					212,012,932
Total Assets					1,194,722,216
As at 31st March 2019					
Cash at Bank & in Hand	13.1	41,943,205	-	-	41,943,205
Placements with Banks and other financial institutions	14	61,460,074	-	-	61,460,074
Rental receivables on Lease	16	398,694,138	-	-	398,694,138
Rental receivables on Hire purchase	17	4,445,918	-	-	4,445,918
Advances and Other Loans	18	777,395,971	-	-	777,395,971
Financial Assets Measured at FVOCI	21	-	-	8,103,623	8,103,623
Total Financial Assets		1,283,939,306	-	8,103,623	1,292,042,929
Other Non Financial Assets					192,527,448
Total Assets					1,484,570,377

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

Financial Liabilities

As at 31st March 2020	Note	Fair value through PL/OCI	Measured at Amortised cost	Total
		Rs.	Rs.	Rs.
Due to banks and financial institutions	13.2	-	17,367,053	17,367,053
Deposits due to customers	26	-	510,706,106	510,706,106
Other Payable	27	-	40,678,619	40,678,619
Lease Liability	28	-	33,065,188	33,065,188
Total Financial Liabilities		-	601,816,966	601,816,966
Other Non Financial Liabilities		-	-	15,754,635
Total Liabilities				617,571,601
As at 31st March 2019				
Due to banks and financial institutions	13.2	-	48,509,429	48,509,429
Deposits due to customers	26	-	660,625,887	660,625,887
Other Payable	27	-	44,264,572	44,264,572
Total Financial Liabilities		-	753,399,888	753,399,888
Other Non Financial Liabilities		-	-	12,685,565
Total Liabilities				766,085,453

33.2 Valuation of financial instruments

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

Financial Assets Measured at FVOCI

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

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

Financial Asset measured at FVOCI of Multi Finance PLC that has been valued using the Level 1 techniques of the valuation hierarchy and fair value as at 31st March 2020 is Rs. 8,087,329 (2019 : Rs. 8,101,123). Total gain recognised in the equity on this investment for the year ended 31 March 2020 is Rs. 15,147.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
AS AT 31ST MARCH 2020				
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,081,589	-	2,500	2,084,089
Investment Property	-	-	66,785,500	66,785,500
	2,081,589	-	66,788,000	68,869,589
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	8,103,623
	8,101,123	-	2,500	8,103,623

34 FINANCIAL RISK MANAGEMENT

34.1 Introduction and Overview

The Company has exposure to following risks from financial instruments:

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

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. Additional information related to changes in risk management consideration due to the impact of COVID-19 is disclosed in the note 39 to the financial statements.

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 subcommittees of the Board.

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

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

34.2 Credit Risk

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

Management of Credit Risk

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

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

Maximum Exposure to Credit Risk

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

As at 31st March	Note	2020 Rs.	2019 Rs.
Cash and cash equivalents	13.1	6,356,430	41,943,205
Placements with Banks and other financial institutions	14	112,533,036	61,460,074
Rental receivable on lease	16	230,499,827	398,694,138
Rental receivable on hire purchase	17	178,016	4,445,918
Advance and other loans	18	631,057,886	777,395,971
Financial Asset measured at FVOCI	21	2,084,089	8,103,623

Age analysis of loans and receivables

As at 31st March 2020	Rental receivable on Lease Rs.	Rental receivable on Hire Purchase Rs.	Advances and other loans Rs.
Less than 90 days	203,524,685	-	332,073,178
91 to 179 days	33,663,255	-	76,251,163
180 to 365 days	26,330,567	-	66,337,755
More than 365 days	22,994,476	358,937	271,941,771
Impairment	(56,013,156)	(180,921)	(115,545,981)
Total	230,499,827	178,016	631,057,886

As at 31st March 2019	Rental receivable on Lease Rs.	Rental receivable on Hire Purchase Rs.	Advances and other loans Rs.
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

Credit Quality Analysis

The below tables summarises the credit quality of loans and receivables

As at 31st March 2020 Loan Category	Total Rs.	Performing Rs.	Non Performing Rs.
Rental receivable on Lease	286,512,983	237,187,940	49,325,043
Rental receivable on Hire Purchase	358,937	-	358,937
Advance and other Loans	746,603,867	408,324,340	338,279,527
Total Gross loans and receivables	1,033,475,787		
Impairment			
- Individual impairment	(112,106,053)		
- Collective Impairment	(59,634,005)		
Total net loans and receivables	861,735,729		

As at 31st March 2019 Loan Category	Total Rs.	Performing Rs.	Non Performing Rs.
Rental receivable on Lease	421,583,610	415,547,001	6,036,609
Rental receivable on Hire Purchase	4,734,455	4,375,525	358,930
Advance and other Loans	894,542,905	752,003,810	142,539,095
Total Gross loans and receivables	1,320,860,970		
Impairment			
- Individual impairment	(77,533,535)		
- Collective Impairment	(62,791,408)		
Total net loans and receivables	1,180,536,027		

Credit Concentration Risk

Company Monitors credit concentration risk under product portfolios

As at 31st March	2020		2019	
	Rs.	%	Rs.	%
Leasing	230,499,829	26.75%	398,481,325	33.75%
Hire Purchase	178,016	0.02%	4,445,915	0.38%
Business loans	114,053,333	13.24%	127,747,130	10.82%
Mortgage Loans	143,243,180	16.62%	231,660,480	19.62%
Vehicle Loans	21,243,145	2.47%	19,674,278	1.67%
FD against Loans	19,249,284	2.23%	46,107,909	3.91%
Pawning	300,265,787	34.84%	217,964,429	18.46%
Staff Loans	10,138,729	1.18%	14,940,512	1.27%
Multi Draft	18,101,526	2.10%	109,408,620	9.27%
Personal Loan	3,755,795	0.44%	6,619,826	0.56%
Educational Loans	1,007,105	0.12%	3,485,603	0.30%
	861,735,729	100.00%	1,180,536,027	100.00%

Province wise concentration risk is as follows

	Lease rental receivables		Hire Purchase receivables		Advances and other loans	
As at 31st March	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Western	145,045,014	224,906,821	-	3,656,052	432,372,544	568,072,869
Southern	36,460,165	44,949,281	-	-	33,817,186	47,751,032
Sabaragamuwa	21,117,942	28,145,188	358,937	358,930	70,297,615	53,565,789
Central	17,476,538	31,924,507	-	-	85,263,878	87,407,275
North Western	22,581,110	41,016,395	-	122,793	68,773,307	75,353,996
North Central	43,832,214	50,641,418	-	596,680	56,079,337	62,391,944
Impairment	(56,013,156)	(22,889,472)	(180,921)	(288,537)	(115,545,981)	(117,146,934)
	230,499,827	398,694,138	178,016	4,445,918	631,057,886	777,395,971

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	2020	2019
	Rs.	Rs.
Secured by moveable assets	637,609,737	768,313,077
Secured by non-moveable assets	157,406,665	231,660,480
Secured by Cash	19,249,284	46,107,909
Others	-	134,454,562

34.3 Liquidity Risk

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

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

To manage the expected liquidity drains due to COVID-19 , the Company closely monitors the funding and recovery plans on daily basis. Respectively, the Central Bank of Sri Lanka relaxed the statutory liquid assets requirements until 30th September 2020 resulting in excess cash flows to the Company. Further, the Company used unutilised credit line to manage the liquidity requirements, a freeze on all non-essential capital expenditure and implemented stringent expense control measures.

Exposure to Liquidity Risk

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

As at 31st March	2020 Rs.	2019 Rs.
Liquid Asset Ratio (LAR)		
Average for the year	15.82%	4.44%
Maximum for the year	22.46%	14.62%
Minimum for the year	6.73%	1.27%

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

As at 31st March	2020 Rs.	2019 Rs.
Cash in Hand	2,674,087	6,353,086
Balances in Current Accounts free from lien	640,144	7,602,626
Deposits in Commercial Banks free from lien	31,483,132	1,754,706
Central Bank of Sri Lanka Securities maturing within one year and free from any lien or charge	55,000,000	-
Total Liquid Assets as at end of March	89,797,363	15,710,418

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2020, 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 2020	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Assets						
Cash and cash equivalents*	1,497,208	-	-	-	-	1,497,208
Placements with Banks and Other Finance Companies	36,619,643	75,913,393	-	-	-	112,533,036
Finance Lease Receivables**	19,494,177	40,592,870	133,363,290	36,156,942	892,548	230,499,827
Hire Purchase Receivables**	178,016	-	-	-	-	178,016
Loans and Receivables from Other Customers**	390,711,958	74,574,022	123,509,465	23,364,644	18,897,796	631,057,885
Financial Assets Measured at FVOCI	1,453,567	-	628,021	-	-	2,081,588
Total Interest Bearing Assets	449,954,569	191,080,285	257,500,776	59,521,586	19,790,344	977,847,560
Percentage 2020	46%	20%	26%	6%	2%	
Percentage 2019	35%	21%	28%	15%	1%	
Interest Bearing Liabilities						
Due to banks and financial institutions	17,367,053	-	-	-	-	17,367,053
Deposits Due to Customers	100,541,342	296,896,232	101,714,049	11,554,484	-	510,706,107
Total Interest Bearing Liabilities	117,908,395	296,896,232	101,714,049	11,554,484	-	528,073,160
Percentage 2020	22%	56%	19%	2%	0%	
Percentage 2019	26%	58%	10%	5%	0%	

* Which is included the balance of saving accounts.

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

34.4 Market Risk

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

Interest Rate Risk

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

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

As at 31st March	2020 Rs.	2019 Rs.
Rate Sensitive Assets (RSA)	977,847,560	1,256,236,570
Rate Sensitive Liabilities (RSL)	528,073,160	709,135,316
GAP (RSA-RSL)	449,774,400	547,101,254

Equity Risk

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

Equity based investment Portfolio risk Analysis

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

Currency risk

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

34.5 Operational Risk

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

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

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

Capital Management

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

Every finance company with assets less than Rs 100 bn shall, subject to the provisions of the Finance Business Act Directions No.03 of 2018 (Capital Adequacy Requirements), at all time, maintain its Tier 1 capital & Total Capital (adjusted for the items that may be specified by the Director) at a level not less than 6 percent and 10 percent respectively of its risk weighted assets with effect from 01st July 2018 and maintain its Tier 1 capital & Total Capital at a level not less than 6.5 percent and 10.5 percent respectively of its risk weighted assets with effect from 01st July 2019 computed as per instructions issued by the CBSL.

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

35 RELATED PARTY TRANSACTIONS

35.1 Transaction with related Companies

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

Name of the Company	Nature of relationship	Nature of transactions	Amount (Paid) / Received 2020 Rs.	Amount (Paid) / Received 2019 Rs.
Fairway Holdings (Pvt) Ltd	Significant shareholder	Other Reimbursement of expenses	(2,134,583)	(2,109,111)
		Granting of Lease facility	-	(7,350,000)
		Interest income recognised	1,165,381	999,937
Fairway Elements (Pvt) Ltd	Subsidiary of significant shareholder	Other Reimbursement of expenses	-	(2,506)
Fairway Telecommunication Towers (Pvt) Ltd	Subsidiary of significant shareholder	Other Reimbursement of expenses	-	(228,978)
Lakderana Investments Ltd	Subsidiary of significant shareholder	Building rent charges	(4,753,381)	(5,043,988)
		Other Reimbursement of expenses	(63,933)	(120,214)
		Other Reimbursement of expenses	1,864,864	999,085
Gowers Solutions (Pvt) Ltd	Common Director	Interest income recognised	12,089	214,972

ITEMS IN STATEMENT OF FINANCIAL POSITION

As at 31st March Name of the Company	Nature of relationship	Reported Under Rental receivable on lease	2020 Rs.	2019 Rs.
Fairway Holdings (Pvt) Ltd	Significant shareholder	Loan Outstanding	7,177,683	7,298,688
Gowers Solutions (Pvt) Ltd	Common Director	Loan Outstanding	-	726,187

As at 31st March Name of the Company	Nature of relationship	Reported Under Other payable	2020 Rs.	2019 Rs.
Fairway Holdings (Pvt) Ltd	Significant shareholder	Reimbursement of expenses	395,933	379,229
Lakderana Investments Ltd	Subsidiary of significant shareholder	Reimbursement of expenses	818,939	16,980

35.2 Transactions with Key Management Personnel

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

35.3 Key Management Personnel Compensation

As at 31st March	2020 Rs.	2019 Rs.
Short-term employee benefits	11,556,800	12,256,800
Total	11,556,800	12,256,800

35.4 Key Management Personnel Transactions

As at 31st March	2020 Rs.	2019 Rs.
Deposits held with the Company	4,996	504,986
Total	4,996	504,986

36 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	2020 Rs.	2019 Rs.
Commitment for Unutilised Facilities	2,391,962	28,753,311

(c) *Assets Pledged*

The following assets have been pledged as security for liabilities.

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

37 CONTINGENCIES

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

38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

39 IMPACT OF COVID-19 PANDEMIC

39.1 Going Concern Assessment

The substantial economic uncertainty caused by the COVID-19 pandemic has widespread implications for most companies, including several very challenging operational and financial reporting considerations. And it is exactly because of such uncertainty that maintaining market confidence in a company's financial statements and disclosures is more important than ever, including when management concludes that there is not substantial doubt about its ability to continue as a going concern.

Due to the difficult operating conditions, the performance of the entity will be more challenging, affecting asset quality and profitability recovery. The six month debt moratorium and other measures imposed by the CBSL are expected to soften the impact to individuals and businesses but it will impact on the liquidity of financial sector although offset to some extent by the reduction in the liquidity requirements for financial institutions.

In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, which is not limited to twelve months from the balance sheet date. Further the historical financial results are unlikely to provide a basis for future cash flows in current times as these might not reflect changes around the industry and markets owing to COVID-19. Therefore, management considers a wide range of factors relating the current adverse situation including, expected impact on liquidity and profitability when evaluating the reasonableness of the assumptions used in its assessment of going concern.

Impact to the entity

Following the spread of global pandemic Covid 19 in Sri Lanka, Multi Finance PLC was adversely affected in the month of March 2020 (financial year ended 31st March 2020) and April 2020 (Financial year ending 31st March 2021).

Some of such implications among others are,

- ❖ Delaying capital infusion plan of identified potential investors to the Company.
- ❖ Closing down of branches from 20th March in arrears where curfew was imposed, and limiting operations to adhere to health guidelines issued by Health authorities.
- ❖ Outdoor Lending and collection activities were affected due to imposed curfew and restrictions imposed to curtail the spread of Covid 19 virus.
- ❖ Canvassing of Deposits and ability of Deposit customers to reach branches to place their deposits were hampered.

Despite above implications, the Company was able to service the needs of the Deposit customers. The deposit retention ratio of the Company was stable and there were only a insignificant number of pre-mature withdrawals happened during the period concerned.

Having evaluated the above by the Management, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Company has adequate resources to continue it's operation. The Management will continue to monitor the impacts on its operations and proactively take measures to ensure the business continues as seamlessly as possible.

Risk mitigation plan

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

Accordingly management carried out a careful assessment and arrived at an immediate, short term & medium term strategies to be implemented to ensure continuity of the business without any disruptions.

Followings are the key strategies adopted.

- ❖ Identifying the real impact to the entity's monthly collection.
- ❖ Implementing the cost saving measures without compromising its service standards and efficiency.
- ❖ Applying for liquidity support facility from CBSL.
- ❖ A negotiation for a bank loan of Rs. 50 Mn was initiated.
- ❖ Speed up the actions taken to dispose the investment properties (Residential Apartment).
- ❖ Utilising the excess liquidity reserves as ultimate option.

The projected liquidity positions even in stressed conditions appear to be positive after meeting all commitments specially the premature fixed deposits withdrawals. Company expects that operation will be normalised after the first quarter of 2020/21 onwards as there is a high possibility that the money circulation of the country will improve.

39.2 Allowance for Expected Credit Losses

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

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

39.3 Sensitivity Analysis of Allowance for Impairment Losses

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

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

Change In weightage	Impact to the collectively assessed ECL
100% best case scenario	Decrease in impairment by Rs. 931,090
100% base case scenario	Decrease in impairment by Rs. 30,815
100% Worst case scenario	Increase in impairment by Rs. 565,231

40 MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

As at 31st March 2020 Assets/Liabilities	Up to 1 Month Rs.	1 to 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	More than 5 Years Rs.	Contractual cash flows Rs.	Carrying amount Rs.
Cash and cash equivalents	6,356,430	-	-	-	-	6,356,430	6,356,430
Placements with Banks and other financial institutions	10,205,685	20,382,192	84,436,503	-	-	115,024,380	112,533,036
Rental receivable on lease	42,591,395	21,402,274	37,493,871	209,263,921	940,330	311,691,791	230,499,827
Rental receivable on hire purchase	178,016	-	-	-	-	178,016	178,016
Advances and other loans	300,510,303	110,053,542	94,368,180	191,857,020	21,699,955	718,489,000	631,057,886
Financial Assets Measured at Fair Value Through Other comprehensive income	-	1,515,833	54,000	627,000	2,500	2,199,333	2,084,089
Total Financial Assets	359,841,829	153,353,841	216,352,554	401,747,941	22,642,785	1,153,938,950	982,709,284
Due to banks and financial institutions	17,367,053	-	-	-	-	17,367,053	17,367,053
Deposits due to customers	104,887,439	133,922,999	195,237,644	136,354,525	-	570,402,607	510,706,106
Other Payables	40,678,619	-	-	-	-	40,678,619	40,678,619
Lease Liability	1,120,000	4,063,299	11,144,898	22,727,315	285,500	39,341,012	33,065,188
Total Financial Liabilities	164,053,111	137,986,298	206,382,542	159,081,840	285,500	667,789,291	601,816,966

41 SEGMENTAL ANALYSIS

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2019 or 2020.

There were no transactions between reportable segments in 2019 or 2020.

	Lease & Hire Purchase		Loans		Pawning		Other		Total	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Income										
Interest Income	56,177,439	78,774,403	66,344,504	139,364,979	62,966,263	42,032,269	9,226,660	11,160,358	194,714,866	271,332,009
Other Income	9,326,918	9,290,866	9,988,700	12,669,450	658,339	1,132,266	3,967,349	2,957,222	23,941,306	26,049,804
Total Income	65,504,357	88,065,269	76,333,204	152,034,429	63,624,602	43,164,535	13,194,009	14,117,580	218,656,172	297,381,813
Unallocated Expenses									(322,647,425)	(376,001,235)
Profit / (Loss) Before Tax									(103,991,253)	(78,619,422)
Income Tax									(37,744,537)	15,510,831
Net Profit / (Loss) for the period									(141,735,790)	(63,108,591)
Segment Assets	230,677,843	403,140,056	330,792,099	559,431,542	300,265,787	217,964,429	284,036,181	170,214,524	1,145,771,910	1,350,750,551
Unallocated Assets									48,950,306	133,819,826
Total Assets	230,677,843	403,140,056	330,792,099	559,431,542	300,265,787	217,964,429	284,036,181	170,214,524	1,194,722,216	1,484,570,377
Unallocated Liabilities									617,571,601	766,085,453
Total Liabilities									617,571,601	766,085,453

Figures in brackets indicate deductions

42 NON-COMPLIANCE WITH CENTRAL BANK REQUIREMENTS

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

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

The Company's accumulated loss as at 31st March 2020, stands at Rs.338,127,145 Since the recorded profit in the FY 2014/2015, company incurred a loss for 5 consecutive years due to shortage of core capital and resultant restrictions imposed by CBSL owing to the same. Furthermore, losses during the year widened as a result of sluggish economic conditions prevailed during the year and the heavy impact escalated due to Covid 19 pandemic. Moreover it is to note that 65% of the total impaired is backed by properties where the Company is in the process of reversing the impact within the coming financial year.

With reference to the core capital requirement, company is in the process of discussion and negotiating with both local & foreign investors to inject the required capital as per minimum core capital direction No.2 of 2017. At the same time discussions are underway for a consolidation/merger in line with CBSL plan to consolidate non-banking financial institutions.

In reference to the non-Compliance with the minimum core capital Direction No. 2 of 2017, the Monetary Board of the Central Bank of Sri Lanka has issued a cap of Rs. 1.3 Bn on Lending and Rs.600 Mn on Deposits with effect from 04th June 2019, and further they have directed to reduce the lending portfolio and deposit liability by Rs. 50 Mn and Rs. 25 Mn respectively per month with effect from November 2019 until the fulfilment of the core capital requirement. Nevertheless it is pertinent to mention that due to prudent management techniques and financial planning, the Company had maintained an excess liquidity position of over 74% over & above the required liquidity ratio prescribed by the regulator.

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

Considering the above, future visibility is clear in complying the CBSL requirement within the 2020/2021 FY and in accordance with the guidelines/timelines to meet the requirement.

INVESTOR INFORMATION

TOP 20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2020

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	703,868	1.11
4	ENTRUST LIMITED	186,000	0.29
5	LAUGFS GAS PLC	184,900	0.29
6	MR. MIGARA MUNASINGHE DISSANAYAKE	134,948	0.21
7	MISS. R. W. K. C. M. M. A. SAMADHIE FERDINANDO	132,948	0.21
8	SEYLAN BANK PLC/MS.PRIME LANDS (PVT) LTD	125,421	0.20
9	MR. WIJITHA NANDA ABEYSURIYA	76,081	0.12
10	FAIRWAY HOLDINGS (PVT) LTD	74,065	0.12
11	MR. PUWAKGAHA ALLE GEDARA WEERAKOON BANDA	60,677	0.10
12	MRS. SAROJANI GUNASINGHE	58,000	0.09
13	MERCHANT BANK OF SRI LANKA PLC/W.A.S.P.ABESIRIWARDANA	54,604	0.09
14	MR. CHANDRASIRI THILAK MALIDUWA PATHIRANA	50,000	0.08
15	MR. PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.07
16	MR. PALLEWATTHA GAMARALALAGE WIJAYANANDA SIRISENA	38,000	0.06
17	MR. KOSALA MUNASINGHE DISSANAYAKE	32,600	0.05
18	MERCHANT BANK OF SRI LANKA PLC/S M PATHIRANAGE	32,515	0.05
19	MRS. MENAKA PRIYADHARSHANI RAJAPAKSE	30,000	0.05
20	MR. KARAGODA LOKU GAMAGE UDAYANANDA	29,598	0.05
	Directors' Shareholding	34,966	0.05
	Other Shareholding	1,379,929	2.17
	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 31.03.2020					
Option	Float adjusted market capitalisation (Rs.Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Public shareholders
Option 2	less than Rs. 1 Bn.	Rs. 0.19 Bn.	10%	35.20%	200	860

DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2020

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	610	131,616	0.21	6	2,700	0.004	616	134,316	0.21
1,001 To 10,000 Shares	195	709,700	1.12	1	5,000	0.01	196	714,700	1.12
10,001 To 100,000 Shares	44	1,145,819	1.80	0	-	0.00	44	1,145,819	1.80
100,001 To 1,000,000 Shares	5	764,217	1.20	1	703,868	1.11	6	1,468,085	2.31
Over 1,000,000 Shares	2	60,147,261	94.56	0	-	0.00	2	60,147,261	94.56
Total	856	62,898,613	98.88	8	711,568	1.12	864	63,610,181	100.00

Category	Number of Shareholders	No of Shares	%
Institutional	52	61,741,161	97.06
Individual	812	1,869,020	2.94
Total	864	63,610,181	100.00

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.P.ABESIRIWARDANA	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.

Option	Float adjusted market capitalisation (Rs.Bn)		Public holding percentage (%)		Number of public shareholders	
	As at 31.03.2019					
	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

DIRECTORS SHAREHOLDING

	Name	As at 31.03.2020 Ordinary Shares	As at 31.03.2019 Ordinary Shares	
1	Mr. E.K.I. De Zoysa	Nil	Nil	Ceased to be a Director w.e.f. 29th March 2020
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	Resigned w.e.f. 01st June 2020
6	Mr. W. Lakshman	14,391	14,391	Resigned w.e.f. 01st June 2020
7	Mr. Senaka De Saram	Nil	Nil	Appointed w.e.f. 19th August 2019

FIVE YEAR SUMMARY

Results	2019 / 2020	2018 / 2019	2017 / 2018	2016 / 2017	2015 / 2016
Operating Results (Rs.)					
Income	218,656,172	297,381,813	235,416,652	158,164,595	198,617,971
Interest income	194,714,866	271,332,009	204,173,082	131,092,044	168,078,273
Interest expenses	82,822,173	100,065,423	64,892,696	53,608,993	64,692,882
Net interest income	111,892,693	171,266,586	139,280,386	77,483,051	103,385,391
Other Operating Income	23,941,305	26,049,804	31,243,569	27,072,551	30,539,698
Net income from operations	135,833,999	197,316,390	170,523,956	104,555,602	133,925,089
Total operating expenses	212,561,984	224,719,570	152,623,764	123,655,658	135,830,480
Impairment (charge)/reversal for loans and other losses	(26,694,551)	(42,774,119)	(45,958,055)	(25,329,710)	(1,981,929)
Profit/(Loss) before taxation	(103,991,253)	(78,619,422)	(33,938,242)	(46,046,897)	(8,398,498)
Profit/(Loss) for the period	(141,735,790)	(63,108,591)	(16,950,585)	(40,188,537)	(19,862,739)
Financial Position (Rs.)					
ASSETS					
Cash and cash equivalents	6,356,430	41,943,205	94,163,856	639,038,484	167,097,091
Placements with Banks and other financial institutions	112,533,036	61,460,074	233,069,642	-	-
Rental receivable on Lease	230,499,827	398,694,138	333,913,312	108,185,847	126,535,795
Rental receivable on Hire Purchase	178,016	4,445,918	12,643,028	43,260,175	120,187,454
Advances and Other Loans	631,057,886	777,395,971	850,737,233	443,491,180	554,875,558
Other receivables	59,299,181	64,071,151	50,523,101	31,939,499	38,132,985
Repossessed Stock	5,780,000	15,443,999	668,000	-	-
Income tax receivables	5,227,629	4,992,927	4,452,003	2,157,186	-
Fair Value through Profit or Loss Financial Assets	-	-	-	766,878	857,125
Financial Assets Measured at Fair Value Through Other Comprehensive Income / Financial Investments - Available for sale	2,084,089	8,103,623	8,071,749	10,733,062	12,855,704
Investment Property	66,785,500	16,142,750	-	-	-
Property, plant & equipment	21,544,464	31,827,815	12,426,351	7,900,371	4,713,515
Right of use Assets	32,326,744	-	-	-	-
Intangible assets	1,501,783	2,606,397	1,417,849	669,584	1,094,820
Deferred Tax Asset	19,547,631	57,442,409	31,748,786	13,391,037	7,672,234
TOTAL ASSETS	1,194,722,216	1,484,570,377	1,633,834,910	1,301,533,302	1,034,022,281
LIABILITIES					
Due to banks and financial institutions	17,367,053	48,509,429	75,126,583	43,175,437	28,225,054
Deposits due to customers	510,706,106	660,625,887	649,996,600	368,412,116	539,969,177
Other borrowing	-	-	-	17,455,656	61,602,721
Other payables	49,697,199	52,058,157	97,768,754	43,794,412	85,478,425
Lease Liability	33,065,188	-	-	-	-
Income tax payable	-	-	-	-	1,820,181
Retirement benefit obligation	6,736,055	4,891,980	5,137,175	4,275,264	4,110,759
TOTAL LIABILITIES	617,571,601	766,085,453	828,029,112	477,112,885	721,206,316
EQUITY					
Stated capital	898,375,289	898,375,289	898,375,289	898,375,289	346,990,186
Statutory Reserve Fund	5,389,222	5,389,222	5,389,222	5,389,222	5,389,222
General Reserve	11,266,050	11,266,050	11,266,050	11,266,050	11,266,050
Fair Value Reserve/Available for sales Reserve	247,199	232,052	280,939	2,014,937	1,965,911
Retained Earnings / (Accumulated Losses)	(338,127,145)	(196,777,689)	(109,505,702)	(92,625,081)	(52,795,404)
TOTAL EQUITY	577,150,615	718,484,924	805,805,798	824,420,417	312,815,965
TOTAL LIABILITIES AND EQUITY	1,194,722,216	1,484,570,377	1,633,834,910	1,301,533,302	1,034,022,281
Financial Indicators					
Return on Average Assets (after tax) (%)	(10.58)	(4.05)	(1.15)	(3.44)	(1.93)
Return on Average Shareholders' Funds (%)	(21.88)	(8.28)	(2.08)	(7.07)	(6.16)
Debt : Equity Ratio (Times)	0.03	0.06	0.02	0.07	0.37
Investor information (Rs.)					
Earnings/(Loss) per Share	(2.23)	(0.99)	(0.27)	(1.51)	(0.88)
Net Assets Value Per Share	9.07	11.30	12.67	12.96	13.93
Dividend per Share	Nil	Nil	Nil	Nil	Nil
Highest Market Value per Share recorded during the financial year	19.90	21.00	17.20	20.90	29.00
Lowest Market Value per Share recorded during the financial year	8.50	9.20	11.00	10.90	7.20
Closing Market Value per Share at the end of financial year	8.60	17.30	13.80	13.80	11.40

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multi Finance PLC will be held on 17th December 2020 at 2.30 p.m. at the Board Room of Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya via Zoom Audio / Video (Virtual AGM) for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the company for the year ended 31st March 2020 and the Report of the Auditors thereon.
2. Election of Mr. Senaka De Saram who has been appointed to the Board of Directors of Multi Finance PLC subsequent to the last Annual General Meeting in terms of Article 94 of the articles of association.
3. Election of Dr. Pasad Bandujith Kulatunga who has been appointed to the Board of Directors of Multi Finance PLC subsequent to the last Annual General Meeting in terms of Article 94 of the articles of association.
4. Election of Ms. Dulani Thanuja de Alwis who has been appointed to the Board of Directors of Multi Finance PLC subsequent to the last Annual General Meeting in terms of Article 94 of the articles of association.
5. To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors to the Company and to authorize the Directors to determine their remuneration.
6. To pass the following Special Resolution to Amend the Articles of Association with the inclusion of Article No. 54 (a) to the Articles of Association as follows:

   54 (a) "A meeting of Shareholders may be held by means of Audio, or Audio and Visual communication by which all shareholders participating and constituting quorum can simultaneously hear each other throughout the meeting , or by any means of Virtual meeting whereby Shareholders regardless of their location could connect or link up online through Video/Audio/Text."
7. To authorise Directors to determine contribution to Charities.
8. To consider any other business of which due notice has been given.

By Order of the Board
Multi Finance PLC

Business Intelligence (Private) Limited
Director/ Secretaries
Colombo
20th November 2020

Notes:

1. A member entitled to participate and vote at the above meeting is required to complete and submit a pre-registration form in order to ensure participation at the AGM of the Company.
2. Only members of MFPLC are entitled to take part at the AGM of MFPLC.
3. A Pre-registration form is enclosed for this purpose to be completed by MFPLC Shareholders only.
4. A member entitled to participate and vote at the above meeting is entitled to appoint a proxy to participate and vote in his/her behalf. A proxy who should be above 18 years of age need not to be a member of the Company.
5. A form of proxy is enclosed for this purpose.
6. The instruments for registration and appointing a proxy must be completed and deposited at the Registered Office of the Company, Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya, or e-mailed to "asirini@msl.lk"within following timelines.
   - The instruments for registration – 5 days (120 hours) prior to the date of AGM.
   - The proxy - not less than forty seven (47) hours prior to the time appointed for holding the meeting.

FORM OF PROXY

NIC/Member No:

I/we the undersigned ....

bearing NIC no ....

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

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

or failing him/ her

Mr. Imal Fonseka	or failing him
Mr. Pushpike Jayasundera	or failing him
Ms. Champika Atapattu	or failing her
Mr. Senaka De Saram	or failing him
Dr. Pasad Kulatunga	or failing him
Ms. D.Thanuja de Alwis	or failing her

as my/our proxy to represent me/us and *vote for me/us on my/our behalf as indicated below at the Annual General Meeting of the Company to be held on 17th December 2020 at 2.30 p.m. at the Board Room of Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya and at any adjournment thereof, and at every poll which may be taken in consequence, thereof.

	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 2020 and the Report of the Auditors thereon.		
2. Election of Mr. Senaka De Saram who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General Meeting.		
3. Election of Dr. Pasad Kulatunga who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General Meeting.		
4. Election of Ms. D. Thanuja de Alwis who has been appointed to the Board of Directors of Multi Finance PLC in terms of article 94 of the articles of association subsequent to the last Annual General Meeting.		
5. Re-appointment of the Auditors KPMG and to authorise the Board of Directors to determine their remuneration.		
6 Special Resolution to Amend the Articles of Association with the inclusion of Article No. 54 (a) to the Articles of Association.		
7. To authorise Directors to determine contribution to Charities.		
8. To consider any other business of which due notice has been given		

Signed this .... day of ....2020.

....
Signature of Shareholder

Notes:

* Please indicate your NIC/Member No. in the space provided on the top right corner.

** Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will vote as he thinks fit.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION OF PROXY

1. In order to appoint a proxy, this form shall in the case of an individual be signed by the shareholder or by his/her Attorney and in the case of a company/corporation, the form of proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

2. The full name, NIC No. and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the form of proxy.

3. The duly completed form of proxy must be deposited at the Registered Office of the Company at "Multi Finance PLC "The Fairways", No.100, Buthgamuwa Road, Rajagiriya or e-mailed to "asirini@msl.lk" not later than forty seven (47) hours the time appointed for holding of the meeting.

4. In the case of a proxy signed by an Attorney, the relevant Power-of-Attorney or a certified copy thereof should also accompany the completed form of proxy and must be deposited at the Registered Office of the Company or emailed as above noted.

5. This Form of Proxy is made available on the company's official website (https://www.multifinance.lk) and on the Colombo Stock Exchange (CSE) website (https://www.cse.lk).

NOTES

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CORPORATE INFORMATION

Name of Company
Multi Finance PLC

Legal Form
Incorporated as a public limited liability company on 14th October 1974 under the Companies Ordinance No.51 of 1938, and the Company was re-registered under the Companies Act No. 07 of 2007 on 26th February 2009. The Ordinary Shares of the Company were listed on the 'Diri Savi' Board of the Colombo Stock Exchange on 13th July 2011.

Company Registration Number
PB 891 PQ

Licenses to Operate
Multi Finance PLC is a finance company registered by the Monetary Board of the Central Bank of Sri Lanka in terms of Finance Business Act No.42 of 2011 and 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 2020

Board of Directors

Mr. E. K. I. De Zoysa	-	Chairman/Independent, Non-Executive Director (Ceased to be a Director in terms of section 4(2) of the Finance Companies Corporate Governance Direction No. 03 of 2008 having completed 9 years on the Board, w.e.f. 29.03.2020)
Mr. P. Jayasundera	-	CEO/ Non-Independent, Executive Director
Mrs. C. J. Atapattu	-	Non-Independent, Executive Director
Mr. Imal Fonseka	-	Non-Independent, Non-Executive Director (Independent, Non-Executive Director w.e.f. 31st December 2019)
Mr. P. Abeysekara	-	Non-Independent, Non-Executive Director (Resigned w.e.f. 01.06.2020)
Mr. W. Lakshman	-	Non-Independent, Non-Executive Director (Resigned w.e.f. 01.06.2020)
Dr. R.A. Fernando	-	Independent, Non-Executive Director, (Resigned w.e.f. 22.08.2019)
Mr. Senaka De Saram	-	Independent, Non-Executive Director (Appointed w.e.f. 19.08.2019)
Dr. P.B. Kulatunga	-	Non-Independent, Non-Executive Director (Appointed w.e.f. 01.06.2020)
Ms. D.T.de Alwis	-	Non-Independent, Non-Executive Director (Appointed w.e.f. 01.06.2020)

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,
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Fax : +94-11-4645564
E-mail : info@multifinance.lk
Website : www.multifinance.lk

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MULTI
FINANCE

Multi Finance PLC
No.100, Buthgamuwa Road, Rajagiriya