PRIME FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2019

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF PRIME FINANCE PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Prime Finance PLC (the "Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and, statement of cashflows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

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

Basis for opinion

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(Contd...2/)

Key Audit Matter	How our audit addressed the key audit matter
Allowance for impairment of loans and lease receivables including Company's transition to SLFRS 9: Our audit considered allowances for impairment of loans and lease receivables (loans and advances, lease rental receivables and stock out on hire) as a key audit matter due to the materiality of the reported amounts, the subjectivity associated with management's estimation on significant judgements and assumptions, the use of a model that involves complex manual calculation and transition to Sri Lanka Financial Reporting Standard 9: Financial Instruments (SLFRS 09). As at 31 March 2019, loans and lease receivables (net of impairment) amounted to Rs. 3,418 Million (Note 21) and Rs.886 Million (Note 22) respectively. These collectively contributed 75% to the Company's total assets. Note number 5.3, 12, 21.1 and 22.1 to the financial statements provides a fuller description of the allowance for impairment of loans and lease receivables, basis of its calculation including key judgments and assumptions used in its estimation. The impact on transition to SLFRS 9 on the Company's Financial Statements has been quantified and presented in the Note number 7 to the Financial Statements.	To assess the reasonableness of the allowance for impairment, we carried out audit procedures (among others) to obtain sufficient and appropriate audit evidence, that included the following: • We evaluated the design effectiveness of internal controls over the estimation of allowances for impairment of loans and lease receivables, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. • We checked the accuracy of the underlying calculations and appropriateness of data used in such calculations on a sample basis; • In addition to the above, focused procedures were performed as follows: o *For those individually assessed for impairment:* - where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held. o *For those collectively assessed for impairment:* - we tested the accuracy and completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in the IT system and re-performing the calculations. - we also considered reasonableness of macro-economic and other factors used by management in their judgmental overlays, by comparing them with relevant publicly available data and information sources. - We assessed the adequacy of the related financial statement disclosures as set out in note(s) 12, 21.1, 22.1 and 49.2.1 - We also assessed the adequacy of the Company's disclosure on the impact of the initial adoption of SLFRS 9 as set out in note 7. This included testing of the quantitative impact of the transition.

(Contd...3/)

Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2019 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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.

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- 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1420.

Ernst & Young

25 June 2019
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 Rs.	2018 Rs.
Interest Income	8.1	947,181,264	445,450,360
Interest Expenses	8.2	(407,944,234)	(209,450,069)
Net Interest Income		539,237,030	236,000,292
Fee and Commission Income	9	21,704,289	12,419,392
Fee and Commission Income		21,704,289	12,419,392
Net Gain/(Loss) from Trading	10	-	(70)
Other Operating Income (net)	11	131,936,585	74,901,409
Total Operating Income		692,877,904	323,321,022
Less: Impairment charges and other losses	12	(86,324,280)	(107,632,627)
Net Operating Income		606,553,624	215,688,395
Operating Expenses			
Personnel Costs	13	(113,663,826)	(74,277,599)
Depreciation of Property Plant & Equipment	29	(12,257,044)	(10,630,066)
Amortisation of Intangible Assets	30	(650,160)	(1,105,957)
Other Operating Expenses	14	(151,730,945)	(93,526,927)
Profit/ (Loss) before VAT on Financial Services, NBT & Debt Repayment Levy		328,251,649	36,147,846
VAT on Financial Services, NBT & Debt Repayment Levy	15	(56,214,302)	(9,024,259)
Profit/(Loss) from Operations before Taxation		272,037,347	27,123,587
(Provision)/Reversal for Income Taxation	16	(93,391,864)	(14,032,874)
Profit/(Loss) for the Year		178,645,483	13,090,713
Other Comprehensive Income / (Expenses)			
Other Comprehensive Income not to be Reclassified to Profit or Loss			
Actuarial Gain / (Loss) on Retirement Benefit Obligations	36	488,185	45,025
Deferred Tax on above		(136,692)	-
Other Comprehensive Income/(Expense) for the Year, Net of Taxes		351,493	45,025
Total Comprehensive Income/(Expense) for the Year		178,996,976	13,135,738
Earnings Per Share (Rs)	17	2.61	0.42

The accounting policies and notes on pages 09 to 68 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 Rs.	2018 Rs.
Assets			
Cash & Cash Equivalents	19	469,366,656	417,958,339
Investment in Fixed Deposits	20	-	152,081,166
Financial assets at amortised cost - Loans and Advances	21	3,418,267,118	2,184,713,733
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	22	886,748,708	496,020,155
Financial investments at amortised Cost - Debt & other instruments	23	387,329,553	-
Financial investments at fair value through other comprehensive income	24	56,300	-
Financial investments - available for Sale	24	-	56,300
Financial investments - held to maturity	23	-	122,468,456
Other Financial Assets	25	8,936,585	1,294,521
Inventories - Real Estate Stock	26	386,746,646	129,266,607
Other Non Financial Assets	27	11,938,288	11,415,435
Investment Property	28	105,439,534	105,439,534
Property, Plant & Equipment	29	27,809,300	28,525,141
Intangible Assets	30	3,240,589	2,222,312
Deferred Tax Asset	31	-	19,913,154
Total Assets		5,705,879,277	3,671,374,853
Liabilities			
Due to Banks and Other Financial Institutions	32	1,094,217,290	427,680,261
Due to Customers	33	2,746,322,013	2,399,149,502
Other Financial Liabilities	34	6,575,856	5,092,825
Other Non-Financial Liabilities	35	180,847,764	223,210,024
Retirement Benefit Liability	36	4,318,233	3,167,412
Deferred tax liability	31	6,472,052	-
Income Tax Payable	37	46,346,706	-
Total liabilities		4,085,099,914	3,058,300,025
Shareholders' Funds			
Stated Capital	38	1,372,500,000	508,500,000
Retained Earnings	39	230,655,884	95,883,622
Other Reserves	40	17,623,479	8,691,206
Total Shareholders' Funds		1,620,779,363	613,074,828
Total Liabilities and Shareholders' Funds		5,705,879,277	3,671,374,853
Commitments and Contingencies	44	208,924,756	13,403,458
Net Assets Per Share (Rs.)		20.46	17.03

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd	Sgd
T M M Tennakoon	Rasika Kaluarachchi
AGM - Finance	Chief Executive Office

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;

Sgd	Sgd
M. D. Saddha Mangala Goonetilleke	H. M. Hennayake Bandara
Director	Director

The accounting policies and notes on pages 09 to 68 form an integral part of these financial statements.

25 June 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Rs.	Total Rs.
Balance as at 01st April 2017	225,000,000	83,402,419	8,036,670	316,439,089
Net Profit for the Year	-	13,090,713	-	13,090,713
Other Comprehensive Income	-	45,025	-	45,025
Transfer to Statutory Reserve	-	(654,536)	654,535	-
Rights Issue	283,500,000	-	-	283,500,000
Balances as at 31st March 2018	508,500,000	95,883,622	8,691,205	613,074,827
Balances as at 31st March 2018	508,500,000	95,883,622	8,691,205	613,074,827
Impact of adopting SLFRS 9 (Note 7)	-	(35,292,440)	-	(35,292,440)
Restated Balances under SLFRS9 as at 1st April 2018	508,500,000	60,591,182	8,691,205	577,782,387
Net Profit for the Year	-	178,645,483	-	178,645,483
Other Comprehensive Income	-	488,185	-	488,185
Deferred Tax on above		(136,692)	-	(136,692)
Transfer to Statutory Reserve	-	(8,932,274)	8,932,274	-
Rights Issue	864,000,000	-	-	864,000,000
Balances as at 31st March 2019	1,372,500,000	230,655,884	17,623,479	1,620,779,363

The accounting policies and notes on pages 09 to 68 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 Rs.	2018 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit/(Loss) before Income Tax Expense		272,037,347	27,123,587
Adjustments for			
Depreciation	29.2	12,257,044	10,630,066
Amortisation of Intangible Assets	30	650,160	1,105,957
Impairment Provision	12	86,324,280	107,632,627
Interest Cost on Finance Lease		17,494	152,078
Diminution/(Appreciation) in value of investments	10	-	70
Loss/(Profit) on Disposal of Property & Equipment	11	(3,160,526)	-
Provision/(Reversal) for Defined Benefit Plans	36.2	2,097,706	1,220,257
Dividend Received	11	(206,400)	(180,000)
Notional Tax Credit on Interest on Treasury Bills		-	(951,991)
Fair Value - Investment Property	11	-	(28,925,534)
Operating Profit before Working Capital Changes		370,017,104	117,807,118
(Increase)/Decrease in Real Estate Stock		(257,480,040)	(90,734,559)
(Increase)/Decrease in Loans and Advances		(1,345,185,264)	(1,219,668,334)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire		(412,785,080)	(402,597,275)
(Increase)/Decrease in Other Financial Assets		(7,642,064)	(768,303)
(Increase)/Decrease in Financial Investments			-
(Increase)/Decrease in Other Non Financial Assets		(1,955,128)	4,385,889
Increase/(Decrease) in Amounts Due to Customers		347,154,963	1,088,093,524
Increase/(Decrease) in Other Financial Liabilities		(112,618)	(511,514)
Increase/(Decrease) in Other Non Financial Liabilities		(42,362,260)	196,978,076
Cash Generated from/(Used in) Operations		(1,350,350,386)	(307,015,378)
Economic Service Charges Paid		(5,639,535)	-
Retirement Benefit Liabilities Paid	36	(458,700)	(192,000)
Income Tax Paid		-	(5,919,348)
Net Cash From/(Used in) Operating Activities		(1,356,448,622)	(313,126,726)
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	29.1	(11,593,721)	(19,690,895)
Acquisition of Intangible Assets	30	(1,668,437)	(1,000,000)
Acquisition of Investment Property	28	-	(76,514,000)
Proceeds from Sales of Shares		-	450
Proceeds from Sales of Property , Plant & Equipment		3,213,044	-
Net investments in Banks & Other Fnancial Institutions		77,096,062	135,927,643
Financial Investments Held -for- Trading		-	-
Sale/(Purchase) of Financial Investments- Available- for- Sale		-	-
Net investment in government bonds & government securities		(71,610,605)	(32,986,234)
Dividend Received	11	206,400	180,000
Net Cash Flows from/(Used in) Investing Activities		(4,357,257)	5,916,964
Cash Flows from / (Used in) Financing Activities			
Right Issue		864,000,000	283,500,000
Payment under Finance Lease Liabilities		(275,162)	(1,100,664)
Net movement in the bank borrowings		471,494,292	385,146,038
Net Cash Flows from/(Used in) Financing Activities		1,335,219,130	667,545,374
Net Increase in Cash and Cash Equivalents		(25,586,748)	360,335,612
Net Cash and Cash Equivalents at the beginning of the Year		450,533,984	90,198,372
Cash and Cash Equivalents at the end of the year (Note 19.2)		424,947,236	450,533,984

The accounting policies and notes on pages 09 to 68 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 Domicile and Legal Form

Prime Finance PLC, ("the Company") is a Public Limited Liability Company incorporated in Sri Lanka under Companies Act No.07 of 2007. The registered office is located at No 61, D.S. Senanayake Mawatha, Colombo 08. The Company is registered as a Finance Company under the Finance Business Act No. 42 of 2011.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company are acceptance of deposits, granting lease facilities, hire Purchase, mortgage loans and other credit facilities, real estate and related services.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent undertaking is Prime Lands (Pvt) Ltd.

1.4 Date of Authorization for Issue

The Financial Statements of Prime Finance PLC for the year ended 31st March 2019 was authorized for issue by the board of directors on 25 June 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with Accounting Policies and Notes, ('Financial Statements'), as at 31st March 2019 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards, laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation Finance Business Act No 42 of 2011 and amendments there to.

2.2 Responsibilities for the Financial Statement

The Board of Directors acknowledges the responsibility in relation to the Financial Statements, as set out in the 'Statement of Directors' Responsibilities', 'Annual Report of the Board of Directors' and in the statement appearing in the Statement of Financial Position of the Annual Report.

2.3 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following items in the Statement of financial position.

- Financial Assets at fair value through other comprehensive income (effective from 1st April 2018) at fair value.

- Available for Sale Financial Instruments (applicable before 1st April 2018) at fair value.

- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets

- Investment Property at fair value

2.4 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lanka Rupees, which is the Currency of the primary economic environment in which the company operates. The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements". There was no change in the Company's presentation and functional currency during the year under review.

2.5 Presentation of Financial Statements

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 43.

2.6 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's presentation. the details of which are given in note 41 to the Financial Statements.

The comparative information has not been restated due to adoption of SLFRS 9. Therefore, the comparative information as of and for the year then ended 31 March 2018 is reported under LKAS 39 and is not comparable to the information presented as of and for the year then ended 31 March 2019. The differences arising from the adoption of SLFRS 9 have been disclosed in note 7.

2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard -LKAS 01(Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an Accounting Standard.

2.8 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. Cash and cash equivalents comprise of 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.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).

2.9 Events After the Reporting Date

Events after the reporting period are those events, favourable and Unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, other than those disclosed in note 46 to the Financial Statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company’s accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with in next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company’s control and are reflected in the assumptions if and when they occur.

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

The most significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows.

i. Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

ii. Impairment losses on credit products (Loans and advances and Lease rental receivables and stock out on hire)

The determination of expected credit loss allowances is highly subjective and judgmental. With the introduction of SLFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward looking economic scenarios. The measurement of impairment losses under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates driven by a number of factors, changes in which can result in different levels of allowances.

Effective from 1 April 2018

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgments and estimates include.

- The Company's internal system, which assigns PDs to the individual facilities based on the past due rentals
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their fair values when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs, determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).
- Selection of forward –looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Applicable before 1 April 2018

The Company reviews their individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and interest rates,).

iii. Defined benefit obligation

The cost of defined benefit obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables**.** Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

Refer Note 36 for the assumptions used.

iv. Fair value of Investment Property

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40 and SLFRS 13.
Investment property of the Company is reflected at fair value using the income approach. When arriving for the income approach it took consideration of the discounted cash flow projections based on the monthly rental amount of the property and the discount rates that reflect uncertainty in the amount and timing of cash flows.

4. New standards, interpretations and amendments adopted by the Company

The Company applied SLFRS 9, SLFRS 7R and SLFRS 15 for the first time at the beginning of the financial year 2019, these standards were effective for annual periods beginning on or after 1st January 2018, The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 SLFRS 9: Financial Instruments

SLFRS 9 *Financial instruments* replaces LKAS 39 *Financial instruments: Recognition and Measurement* for annual periods on or after 1st January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company adopted SLFRS 9- retrospectively, with the initial application date of 1 April 2018. The Company has taken an exception not to restate comparative information for prior periods.

SLFRS 9 requires an entity to restate prior periods if and only if the restatement is possible without the use of hindsight. The Company has not restated comparative information as of and for the year ended 31 March 2018 for financial instruments within the scope of SLFRS 9. Therefore, the comparative information is reported under LKAS 39 and is not comparable to the information presented as of and for the year ended 31 March 2019. Difference arising from the adoption of SLFRS 9 have been recognised directly in retained earnings as of 1st April 2018 and are disclosed in note 7.

4.1.1 Changes to Classification and Measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The LKAS 39 measurement categories of financial assets (fair value through profit and loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables (L&R)] have been replaced by:

- Debt and other instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognotion
- Equity instruments at (FVOCI), with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the Income Statement.

Under SLFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not been changed.

The Company's classification of its financial assets and liabilities is explained in note 5.1.4.

4.1.2 Changes to the impairment Calculation

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for loan loss impairment by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to record an impairment for ECLs for all loans and debt & other financial instruments not held at FVPL, together with loan commitments and financial guarantee contracts. The impairment is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case the impairment will be based on the ECLs associated with the probability of default over the entire lifetime of the loan.

Details of the Company's impairment method are disclosed in note 5.3. The quantitative impact of applying expected credit loss approach in SLFRS 9 as at 1st April 2018 is disclosed in note 7.

4.2 SLFRS 7R: Financial Instruments – Disclosure

To reflect the differences between SLFRS 9 and LKAS 39, SLFRS 7 Financial Instruments: Disclosures was updated and the Company has adopted it, together with SLFRS 9, for the year beginning 1st April 2018. Changes including transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in note 7, note 5.3 and note 49.2 respectively.

4.3 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 became effective for financial periods beginning on or after 1 January 2018. The core principle of SLFRS 15 is that an entity have to recognise revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as discussed.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company adopted SLFRS 15 - prospectively with the initial application date of 1st April 2018. The adoption of SLFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers, real estate income and the related assets and liabilities recognized by the Company. Accordingly, the impact of comparative information is limited to new disclosure requirements.

Except for the changes mentioned above, the Company has consistently applied the accounting policies for all periods presented in these Financial Statements.

5. GENERAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements except for the changes mentioned in Note 4 to the Financial Statements.

5.1 Financial Instruments - Initial Recognition and Measurement

5.1.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date.i.e.the date that the Company becomes a party to the contractual provisions of the instrument. This includes “regular way trades”. Regular way trade means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

5.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

5.1.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the Income Statement loss when the inputs become observable, or when the instrument is derecognised.

5.1.4 Measurement categories of financial assets and liabilities

Effective From 1 April 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortised cost, as explained in note 5.1.4.1
- Fair value through other comprehensive income (FVOCI), as explained in notes 5.1.4.3 and 5.1.4.4
- Fair value through profit or loss (FVPL)

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 April 2018, the Company classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

5.1.4.1 Loans and advances, Lease rental receivables and stock out on hire - Financial assets at amortised cost

Before 1 April 2018, Loans and advances and lease rental receivables and stock out on hire, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Company intended to sell immediately or in the near term
- That the Company, upon initial recognition, designated as at FVPL or as available-for-sale
- For which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

Effective from 1 April 2018, the Company only measures Loans and advances and lease rental receivables and stock out on hire at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

(a) Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)

- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms of that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

5.1.4.2 Financial assets or financial liabilities held for trading

The Company classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

5.1.4.3 Debt instruments at FVOCI (Policy applicable effective from 1 April 2018)

The Company applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under LKAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Income Statement in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the Income Statement.

5.1.4.4 Equity instruments at FVOCI (Policy applicable effective from 1 April 2018)

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in the Income Statement as net trading gain/(loss) when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

5.1.4.5 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

5.1.4.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the Income Statement. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in the Income Statement as net trading gain/(loss) when the right to the payment has been established.

5.1.4.7 Undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Under LKAS 39, a provision was made if they were an onerous contract but, effective from 1 April 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in note 34.

5.1.4.8 Held to maturity financial assets (Policy applicable before 1st April 2018)

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After the initial recognition, held to maturity financial assets are subsequently measured at amortised cost using the effective interest rate, less impairment. The amortization is included in 'interest income' in the Income Statement. The losses arising from impairment of such assets are recognized in the Income Statement.

5.1.4.9 Available for sale financial assets (Policy applicable before 1st April 2018)

Available for sale financial assets include equity and debt securities. Equity investments classified as 'Available for sale' are those which are neither classified as 'Held for trading' nor 'designated at fair value through profit or loss' under the classification principles set out in LKAS 39. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through 'Other comprehensive income/expense' in the 'Available for sale reserve'. When the asset is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the Income Statement under 'Net gain on financial assets. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first out basis. Interest earned whilst holding 'Available for sale financial assets' is reported as 'interest income' using the effective interest rate. Dividend earned whilst holding 'Available for sale financial investments' are recognized in the Income Statement as 'Net gain on financial assets' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Income Statement under 'Impairment charge for loans and other losses' and removed from the 'Available for sale reserve'.

Details of 'Financial assets- available for sale' are given in note 24 to the Financial statements.

5.1.5 Reclassification of financial assets and liabilities

Effective from 1 April 2018, the Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2018 & 2019.

5.1.6 Derecognition of financial assets and Liabilities

a) De-recognition of Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for recognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for recognition if either:

- The Company has transferred substantially all the risks and rewards of the asset

Or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset,but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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 the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

b) De-recognition of financial liabilities

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

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

5.2 Determination of fair value of Financial Instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exists, pricing models and other relevant valuation models.

5.3 Impairment of Financial Assets

Policy applicable effective from 1 April 2018

a. Overview of the expected credit loss (ECL) principles

The Company recognizes expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime Expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in 5.3.b below. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12mECLs.Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b. The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expecteddraw downs on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarized below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan Commitments: When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

Financial Guarantee contracts: The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability – weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

c. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

d. Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behavior, its likelihood of default and the Company's

future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.
The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

e. Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

5.4 Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing, the loan impairment allowance account accordingly. The write-back is recognized in the income statement.

5.5 Write-off of Financial Assets at Amortized Cost

The Company's accounting policy under SLFRS 9 remains the same as it was under LKAS 39. Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

5.6 Offsetting Financial Assets and Liabilities

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 asset and settle the liability simultaneously. This is not generally, the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

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

5.7 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, balances with banks and Investments with short maturities i.e. three months or less from the date of acquisition.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balance with banks and Investments with short maturities i.e. three months or less from the date of acquisition net of outstanding bank overdrafts.

5.8 Finance and operating leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

5.8.1 Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in ‘Loans and advances to company’ or ‘Loans and advances to customers’, as appropriate. The finance income receivable is recognized in ‘Net interest income’ over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the company is a lessee under finance leases, the leased assets are capitalized and included in ‘Property, plant and equipment’ and the corresponding liability to the lessor is included in ‘Other liabilities’. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognized in ‘Net interest income’ over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

5.8.2 Operating lease

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in ‘Property, plant and equipment’ and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When the Company is the lessee, leased assets are not recognized on the balance sheet. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in ‘General and administrative expenses’ and ‘other operating income’, respectively.

5.9 Non-Financial Assets

5.9.1 Real Estate Inventories

Real estate inventories are stated at cost and net realizable value whichever is lower. These costs include cost of purchases of the land and expenses on development that are capitalized.

5.9.2 Property and equipment

Property & Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

Recognition and measurement

Cost Model

Property and equipment is stated at cost, excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent Cost
These are costs that are recognized in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Depreciation
Depreciation is provided on a straight-line basis over the period appropriate to the estimated useful lives of different types of assets, at varying rates specified as follows;

Category		Rate (per annum)
Motor Vehicles		25%
Furniture & Fittings		12.5%
	(Up to 2012/13)	25%
Office Equipment		33.33%
Equipment		33.33%
Machinery		10%

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the assets is classified as held for sale and the date that the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the statement of comprehensive income in the year the asset is derecognized.

5.9.3 Intangible Assets

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

Expenditure incurred on Intangible Assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets are amortized on a straight line basis to the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life.

Computer Software	20%
(Up to 2012/13)	50%

5.9.4 Investment Property

Investment property is property held either to earn rental income or 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 initially recognized at cost. Subsequent to initial recognition the investment property is stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Comprehensive Income in the year in which they arise.

Derecognition

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of Comprehensive Income in the year of retirement or disposal.

Fair Value of Investment Property

Investment property of the Company is reflected at fair value using the income approach. When arriving for the income approach it took consideration of the discounted cash flow projections based on the monthly rental amount of the property and the discount rates that reflect uncertainty in the amount and timing of cash flows.

5.9.5 Impairment of non–financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

5.10 Non-Financial Liabilities

5.10.1 Retirement Benefit Obligations

(i) Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

An actuarial valuation is carried out at every year to ascertain the full liability under the Fund. The valuation was carried out as at 31st March 2019 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries.

Interest Cost

Interest cost is the expected increase due to interest during the period in the present value of the plan liabilities because the benefits are one year closer to settlement.

Actuarial Gain / (Loss)

The company recognize the total actuarial gain/(losses) that arise in calculating the company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Funding Arrangements

The Gratuity liability is not externally funded.

(ii) Defined contribution plan

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund. The Company's Provident Fund is an approved fund under the Employees' Provident Fund Act.

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

5.10.2 Taxation

Income Tax expense comprises of current and deferred tax. Income tax expense is recognized in the statement of comprehensive Income.

a) Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the financial reporting date.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in Subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.
The carrying amount of a deferred tax asset is reviewed at each Balance Sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax asset are reassessed at each financial reporting date and are recognized to the extent that is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the financial reporting date.

c) VAT on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

d) Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

5.11 Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized

5.11.1 Interest Income and Interest expense

Under both SLFRS 9 and LKAS 39, interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under LKAS 39 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR (and therefore, the amortised cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortised through Interest income/Interest expense in the income statement.

When a financial asset becomes credit-impaired (as set out in Note 5.3. (a)) and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

5.11.2 Dividend income

Dividend income is recognized when the right to receive the payment is established.

5.11.3 Net trading income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income.

5.11.4 Fee and commission income

The company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

5.11.5 Income from Real Estate

The Company recognizes revenue from real estate based on a five step model as set out in SLFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company has identified income from real estate (freehold Land) as in scope of SLFRS 15. The Company enters into contracts with customers to sell freehold land.

The sale of freehold land is generally expected to be the only performance obligation and the Company has determined that it will be satisfied at the point in time when control transfers. For unconditional exchange of contracts, this is generally expected to be when legal title transfers to the customer. For conditional exchanges, this is expected to be when all significant conditions are satisfied therefore income from the real estate sale is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

5.11.6 Regulatory provisions

a Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 20% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

b Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Company's Act Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments there to all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32E of the Monetary Law Act with effect from 1 October 2010. The said scheme was renamed as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No 1 of 2013.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following;

a) Deposit liabilities to member institutions
b) Deposit liabilities to Government of Sri Lanka
c) Deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
d) Deposit liabilities held as collateral against any accommodation granted
e) Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month

C Crop Insurance Levy (CIL)

In terms Section 15 of the Finance Act No 12 of 2013 all institutions under the purview of Banking Act No 30 of 1988, Finance Companies Act No 78 of 1988 and Regulation of Insurance Industry Act No 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund Board effective from 01 April 2013.

d) Debt Repayment Levy

As per the provisions of the Finance Act No.35 of 2018, Debt repayment levy has been imposed for a limited period from 01 October 2018 to 31 December 2021.

A levy of 7% is charged monthly on the value addition attributable to the supply of financial services as specified in section 36 of Finance Act No. 35 of 2018 along with section 25C of the Value Added Tax (VAT) Act No. 14 of 2002.

6. STANDARD ISSUED BUT NOT YET EFFECTIVE

SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 - Leases and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the statement of comprehensive income

SLFRS 16 substantially carries forwards the lessor accounting requirement in LKAS 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS 16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

7. Transition Disclosures

The following notes set out the impact of adopting Sri Lanka Accounting Standard - SLFRS 09 (Financial Instrument) at transaction date, 1st April 2018 on the Statement of Finacial Position, and retained earnings including the effect of replacing incurred credit loss calculations under Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments - recognision and measurement) with expected credit loss (ECL) under SLFRS 09)

Reclassification:
These adjustments reflect the movement of balances between categories on the Statement of Financial Position with no impact to shareholders' equity. There is no change to the carrying value of the balances as a result of the reclassification.

Re-measurement
These adjustments, which include expected credit loss, result in a change to the carrying value of the item on the Statement of Financial Position with an impact to Shareholders' equity net of tax.

As at 31st March 2018

	Note	LKAS 39 Measurement Category	LKAS 39 Measurement Amount Rs.	Reclassification Rs.	Re-measurement ECL Rs.	Other Rs.	SLFRS 09 Amount Rs.	Category
Financial asset								
Cash & Cash Equivalents		**L&R**	417,958,339	-	(40,780)	-	417,917,558	**Amortised Cost**
Investment in Fixed Deposits		**L&R**	152,081,166	-	(22,868)	-	152,058,298	**Amortised Cost**
Loans and Advances		**L&R**	2,184,713,733	-	(44,587,503)	-	2,140,126,229	**Amortised Cost**
Lease Rentals Receivable & Stock Out on Hire		**L&R**	496,020,155	-	(2,770,477)	-	493,249,678	**Amortised Cost**
Financial Investments - Available for Sale	**B**	**AFS**	56,300	(56,300)	-	-	-	
Financial Investments - Fair Value Through Other Comprehensive Income	**B**		-	56,300	-	-	56,300	**FVOCI**
Financial Investments - Held to Maturity	**A**	**HTM**	122,468,456	(122,468,456)	-	-	-	
Debt & other instruments measured at amortised cost	**A**		-	122,468,456	-	-	122,468,456	**Amortised Cost**
Other Financial Assets		**L&R**	1,294,521	-	-	-	1,294,521	**Amortised Cost**
Inventories - Real Estate Stock			129,266,607	-	-	-	129,266,607	**Amortised Cost**
Investment Property			105,439,535	-	-	-	105,439,535	
Non financial asset								
Property, plant and equipment			28,525,141	-	-	-	28,525,141	**n/a**
Intangible assets			2,222,312	-	-	-	2,222,312	**n/a**
Deferred tax assets	**E**		19,913,154	-	-	13,724,838	33,637,992	**n/a**
Other non finanical assets			11,415,435	-	-	-	11,415,435	**n/a**
Total assets			3,671,374,853	-	(47,421,629)	13,724,838	3,637,678,062	
Financial liabilites								
Due to banks		Amortised Cost	427,680,262	-	-	-	427,680,262	Amortised Cost
Due to other customers		Amortised Cost	2,399,149,502	-	-	-	2,399,149,502	Amortised Cost
Other financial liabilities	**C**	Amortised Cost	5,092,825	-	1,595,649	-	6,688,474	Amortised Cost

7. Transition Disclosures (Contd...)

Non financial liabilities	Amount Rs.	Reclassification Rs.	Re-measurement ECL Rs.	Other Rs.	SLFRS 09 Amount Rs.	Category
Current tax liabilities	-	-	-	-	-	n/a
Other non financial liabilities	223,210,024	-	-	-	223,210,024	n/a
Retirement benefit obligation	3,167,412	-	-	-	3,167,412	n/a
Total liabilities	3,058,300,026	-	1,595,649	-	3,059,895,675	
Equity						
Stated capital	508,500,000	-	-	-	508,500,000	
Statutory reserve fund	8,691,206	-	-	-	8,691,206	
Retained earnings	95,883,622	-	-	(35,292,440)	60,591,182	
Total Equity	613,074,828	-	-	(35,292,440)	577,782,388	

L&R - Loans & Receivables, AFS- Available for sale, HTM- Held to maturity, FVPL- Fair value through P&L, FVOCI- Fair value through Other Comprehensive income, n/a-Not applicable

A As at 01st April 2018, the Company elected to classify its previous investment in Sri Lanka Government securities as Debt & other instruments measured at amortised cost since these assets met the "Solely Payments of Principal and Interest" (SPPI) criterion.

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

C The increase in other liabilities was due to the inclusion of expected credit loss related to contingent liabilities and commitments related to undrawn loan commitment for Revolving Loan.

D The impact of SLFRS 9 remeasurements on deferred tax is set out below under note E

E The impact on retained earnings by transition to SLFRS 09 is as follows,

Closing balance under LKAS 39 as at 31st March 2018	95,883,622
Re-measurement adjustments on adoption of SLFRS 9	
Recognition of SLFRS 9 ECLs for loans, investments and guarantee contracts	(49,017,278)
Deferred tax impact on above	13,724,838
Total charge in equity due to adoption of SLFRS 9	(35,292,440)
Opening balance under SLFRS 9 as 31st March 2018	60,591,182

The following table reconciles the aggregate opening credit loss provision under LKAS 39 to the impairment on ECL under SLFRS 9.

In Rs.	Loan loss provision under LKAS 39/LKAS 37	Re-measurement	ECLs under SLFRS 9 as at 01st April 2018
Impairment provision for			
Cash & Cash Equivalents	-	40,780	40,780
Loans and Advances	125,258,826	44,587,503	169,846,329
Lease Rentals Receivable & Stock Out on Hire	4,042,290	2,770,477	6,812,767
Other Financial Assets	-	22,868	22,868
Other Financial Liabilities	-	1,595,649	1,595,649
	129,301,117	49,017,278	178,318,395

8. INTEREST INCOME AND EXPENSES

8.1 Interest Income

	2019 Rs.	2018 Rs.
Financial assets at amortised cost - Loans and Advances	710,015,590	344,778,683
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	164,980,299	31,508,527
Financial investments at amortised Cost - Debt and other Instruments / Held to Maturity	34,912,407	35,169,748
Interest Income on Overdue Interest	29,690,638	23,606,096
Interest Income On Other Investment	7,582,330	10,387,307
Total Interest Income	947,181,264	445,450,360

8.2 Interest Expenses

	2019 Rs.	2018 Rs.
Due to Banks	31,893,911	5,861,714
Due to Other Financial Institutions	40,925,560	10,782,870
Due to Customers	335,124,763	192,805,486
Total Interest Expenses	407,944,234	209,450,069
Net Interest Income	539,237,030	236,000,292

9. FEE AND COMMISSION INCOME

	2019 Rs.	2018 Rs.
Credit Related Fees and Commissions	1,455,345	232,731
Service Charges	20,248,945	12,186,660
Total Fee and Commission Income	21,704,289	12,419,392

10. NET GAIN/(LOSS) FROM TRADING

	2019 Rs.	2018 Rs.
Other Trading Income / (Expense)	-	(70)
	-	(70)

11. OTHER OPERATING INCOME (NET)

	2019 Rs.	2018 Rs.
Net Real Estate Income (11.1)	72,993,802	34,004,803
Profit on disposal of Property, Plant & Equipment	3,160,526	-
Bad Debt Recoveries	14,309,277	2,178,133
Dividend Income	206,400	180,000
Sundry Income	21,701,362	5,226,399
Rent Income	19,565,218	4,386,540
Fair Value - Investment Property	-	28,925,534
Total Other Operating Income	131,936,585	74,901,409

11. OTHER OPERATING INCOME (NET) (Contd...)

11.1 Net Real Estate Income

	2019 Rs.	2018 Rs.
Real Estate Turnover	363,961,422	139,350,819
Real Estate Cost of Sale	(290,967,620)	(105,346,016)
	72,993,802	34,004,803

12. IMPAIRMENT CHARGES AND OTHER LOSSES

	2019* Rs.	2018 Rs.
Cash & Cash Equivalents	(825)	-
Financial assets at amortised cost		
Lease Rentals Receivable & Stock Out on Hire	22,056,527	(1,867,460)
Loans and Advances	63,764,481	109,500,087
Debt & other instruments	(5,320)	-
Credit related commitments & contingencies	135,996	-
Total impairment charges	85,950,859	107,632,627
Direct Write-offs	373,421	-
Total	86,324,280	107,632,627

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

12.1. The table below shows the impairment charges for financial instruments for the year recorded in stagewise Income Statement

	2019 Rs. Stage 1	2019 Rs. Stage 2	2019 Rs. Stage 3	2019 Rs. Total
Cash & Cash Equivalents	(825)	-	-	(825)
Financial assets at amortised cost - Lease receivables Lease Rentals Receivable & Stock Out on Hire	3,220,685	6,991,982	11,843,860	22,056,527
Financial assets at amortised cost - Loans and Advances	(9,466,351)	14,845,223	58,385,608	63,764,481
Financial assets at amortised cost - Debt & other instruments	(5,320)	-	-	(5,320)
Credit related commitments & contingencies	-	135,996	-	135,996
	(6,251,811)	21,973,201	70,229,468	85,950,858

13. PERSONNEL COSTS

	2019 Rs.	2018 Rs.
Salaries and Bonus	87,474,617	58,603,927
Directors' Emoluments	2,694,444	1,743,651
Employer’s Contribution to EPF	9,455,126	6,544,815
Employer’s Contribution to ETF	2,363,781	1,636,206
Gratuity Charge/ (Reversals) for the Year	2,097,706	1,220,257
Other Staff related Expenses	9,578,152	4,528,743
	113,663,826	74,277,599

14. OTHER OPERATING EXPENSES

	2019 Rs.	2018 Rs.
Audit Fees	400,000	358,000
Non-audit related fees and expenses	1,985,283	468,814
Professional & Legal Expenses	8,116,244	3,792,725
Office Administration & Establishment Expenses	103,244,342	70,373,679
Advertising & Business Promotion Expenses	14,966,123	5,563,851
Others	23,018,953	12,969,858
	151,730,945	93,526,927

15. VAT ON FINANCIAL SERVICES, NBT & DEBT REPAYMENT LEVY

	2019 Rs.	2018 Rs.
Nation Building Tax	5,335,344	1,061,678
Debt Repayment Levy	10,863,877	-
Financial VAT	40,015,081	7,962,581
	56,214,302	9,024,259

16. TAXATION

16.1 The major components of income tax expense for the years ended 31st March are as follows.

	2019 Rs.	2018 Rs.
Current Income Tax		
Current tax expense	53,418,511	11,457,372
Deferred Tax		
Deferred Taxation (Reversal)/Charge (Note 31)	39,973,353	2,575,502
	93,391,864	14,032,874

16.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by Government of Sri Lanka's tax rate for the Years ended 31st March 2019 and 2018 is as follows.

	2019 Rs.	2018 Rs.
Accounting Profit Before Income Taxation	272,037,347	27,123,587
Income Tax Expense at the statutory income tax rate of 28%	76,170,457	7,594,604
Tax effect of Non deductible Expenses	69,444,350	63,562,670
Tax effect of Other allowable Credits	(92,196,296)	(59,699,902)
Charge/(Reversal) for Deferred Tax	39,973,353	2,575,502
	93,391,864	14,032,874
Effective Tax Rate	34%	52%

17. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

Weighted Average Number of Ordinary Shares for Basic / Diluted EPS

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Number of shares in issue as at 1 April	36,000,000	22,500,000	36,000,000	22,500,000
Add : Number of shares issued under rights issue September 2017	-	13,500,000		-
Add : Number of shares issued under rights issue July 2018	43,200,000			
Add : Bonus element on number of shares issued under rights issue 2017	-	-		613,636
Number of shares in issue / weighted average number of shares as at 31 March	-	-	32,400,000	7,875,000
	79,200,000	36,000,000	68,400,000	30,988,636
Profit after tax for the year attributable to equity holders	178,645,483	13,090,713		
Weighted average number of ordinary shares	68,400,000	30,988,636		
Basic / diluted earnings per ordinary share (Rs)	2.61	0.42		

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised.The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

18.1 As at 31st March 2019

	Amortised Cost	Fair value through other comprehensive income	Total
	Rs.	Rs.	Rs.
Assets			
Cash & Cash Equivalents	469,366,656	-	469,366,656
Financial assets at amortised cost - Loans and Advances	3,418,267,118	-	3,418,267,118
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	886,748,708	-	886,748,708
Financial investments at amortised Cost - Debt & other instruments	387,329,553	-	387,329,553
Financial investments at fair value through other comprehensive income	-	56,300	-
Total Financial Assets	5,161,712,035	56,300	5,161,712,035

Liabilities	Amortised Cost	Total
	Rs.	Rs.
Due to Banks and Other Financial Institutions	1,094,217,290	1,094,217,290
Due to Customers	2,746,322,013	2,746,322,013
Other Financial Liabilities	6,575,856	6,575,856
Total Financial Liabilities	3,847,115,159	3,847,115,159

18.2 As at 31st March 2018

	HFT at Fair Value	HTM at Amortised Cost	L&R at Amortised Cost	AFS at Cost	AFS at Fair Value	Total
	Rs.	Rs.	Rs.		Rs.	Rs.
Assets						
Cash & Cash Equivalents	-	-	417,958,339	-	-	417,958,339
Financial assets at amortised cost - Loans and Advances	-	-	2,184,713,733	-	-	2,184,713,733
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	-	-	496,020,155	-	-	496,020,155
Financial Investments - Available for sale	-	-	-	56,300	-	56,300
Financial Investments - Held to Maturity	-	122,468,456	-	-	-	122,468,456
Other Financial Assets	-	-	153,375,687	-	-	153,375,687
Total Financial Assets	-	122,468,456	3,252,067,913	56,300	-	3,374,592,670

	FL - FVTPL	Other FL at Amortised Cost				Total
	Rs.	Rs.				Rs.
Liabilities						
Due to Banks	-	192,350,891	-	-	-	192,350,891
Due to Customers	-	2,399,149,502	-	-	-	2,399,149,502
Other Financial Liabilities	-	240,422,196	-	-	-	240,422,196
Total Financial Liabilities	-	2,831,922,589	-	-	-	2,831,922,589

19. CASH & CASH EQUIVALENTS

	2019 Rs.	2018 Rs.
Cash in Hand	160,421,167	12,013,936
Balances with Banks	308,985,444	405,944,403
Less: Provision for impairment (19.1)	(39,955)	-
	469,366,656	417,958,339

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

19.1 Movement in provision for impairment are as follows.

	2019 Rs. Stage 1	2019 Rs. Total
Balance as at 01.04.2018	40,780	40,780
Charge/(Reversal) for the year	(825)	(825)
Balance as at 31.03.2019	39,955	39,955

19.2 Net Cash and Cash Equivalents for the purpose of the Cash Flow Statement

	2019 Rs.	2018 Rs.
Favourable Cash & Cash Equivalents	469,406,611	417,958,339
Deposits with less than three months	193,117,585	74,852,197
Bank Overdrafts (Note 32)	(237,576,960)	(42,276,552)
Net Cash & Cash Equivalents	424,947,236	450,533,984

20. INVESTMENT IN FIXED DEPOSITS

	2019 Rs.	2018 Rs.
Deposits with Banks and Other Financial Institutions	-	152,081,166
		-
	-	152,081,166

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

	2019 Rs.	2018 Rs.
Term Loans	634,105,108	740,312,642
Short Term Loans	256,311,446	214,400,790
Consent Motion Loan	109,966,022	48,954,624
PD Loan	25,572,630	88,517,079
Staff Loans	1,874,765	6,263,325
Vehicle Loans	38,184,873	72,736,795
Easy Payment Loans	761,721,166	414,295,908
Loans against Deposits	102,352,990	95,378,717
Personal Loans	26,122,706	44,334,797
Trade Loans	6,922,715	13,832,520
Mortgage Loan	1,687,147,859	569,349,713
	3,650,282,279	2,308,376,910
Less : Provision for impairment (Note 21.1)	(232,015,161)	(123,663,178)
Net Loans and Advances	3,418,267,118	2,184,713,733

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES (Contd…)

21.1 Analysis of loan receivables on maximum exposure to credit risk As at 31 March 2019

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loan receivables	-	-	138,244,590	138,244,590
loan receivables subject to collective impairment	2,267,117,978	629,369,348	615,550,362	3,512,037,689
Less: Provision for impairment (21.2)	(22,231,107)	(24,024,221)	(185,759,834)	(232,015,162)
	2,244,886,871	605,345,127	568,035,118	3,418,267,117

21.2 Movement in provision for impairment are as follows.

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2018 (with SLFRS 09 impact)	31,697,457	9,178,998	127,374,226	168,250,681
Charge/ (Reversal) to statement of comprehensive income	(9,466,351)	14,845,223	58,385,608	63,764,481
Balance as at 31st March 2019	22,231,107	24,024,221	185,759,835	232,015,162

21.3 Provision for impairment are as follows.

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loans	-	-	86,958,964	86,958,964
Collective impaired loans (ECL)	22,231,107	24,024,221	98,800,871	145,056,198
Balance as at 31st March 2019	22,231,107	24,024,221	185,759,834	232,015,163

21.3.1 Provision for impairment
Individually impaired loans

	2019 Rs.	2018 Rs.
Balance as at 01st April	76,638,534	6,939,650
Charge/ (Reversal) to statement of comprehensive income	10,320,430	69,698,884
Balance as at 31st March	86,958,964	76,638,534

21.3.2 Provision for impairment
Collective impaired loans

	2019 Rs.	2018 Rs.
Balance as at 01st April	47,024,643	87,534,695
Impact of adoption of SLFRS 09 as at 01st April 2018	44,587,503	-
	91,612,147	87,534,695
Charge/ (Reversal) to statement of comprehensive income	53,444,051	(40,510,052)
Balance as at 31st March	145,056,198	47,024,643

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE

	2019 Rs.	2018 Rs.
Gross Rentals Receivables		
- Lease Rentals	1,308,800,499	731,375,140
- Amounts Receivable from Hirers	2,383,363	5,964,925
	1,311,183,863	737,340,065
Less: Unearned Income	(395,565,861)	(237,277,620)
Net Rentals Receivables	915,618,002	500,062,445
Less : Provision for impairment	(28,869,294)	(4,042,290)
Total Net Rentals Receivable	886,748,708	496,020,155

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE (Contd...)

22.1 Analysis of hire purchase and lease receivables on maximum exposure to credit risk

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired HP & Lease	-	-	2,443,483	2,443,483
Hire purchase and lease receivables subject to collective impairment	596,870,263	229,858,500	86,445,755	913,174,518
Less: Provision for impairment (Note 22.2)	(6,034,125)	(7,626,998)	(15,208,171)	(28,869,294)
	590,836,138	222,231,502	73,681,067	886,748,707

22.2 Movement in provision for impairment are as follows.

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2018 (with SLFRS 09 impact)	2,813,440	635,016	3,364,311	6,812,767
Charge/ (Reversal) to statement of comprehensive income	3,220,685	6,991,982	11,843,860	22,056,527
Balance as at 31st March 2019	6,034,125	7,626,998	15,208,171	28,869,294

22.3 Provision for impairment are as follows.

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loans	-	-	2,443,483	2,443,483
Collective impaired loans (ECL)	6,034,125	7,626,998	12,764,688	26,425,811
Balance as at 31st March 2019	6,034,125	7,626,998	15,208,171	28,869,294

22.3.1 Provision for impairment are as follows.
Individually impaired loans

	2019 Rs.	2018 Rs.
Balance as at 01st April	1,267,903	35,694,450
Charge/ (Reversal) to statement of comprehensive income	1,175,580	(34,426,547)
Balance as at 31st March	2,443,483	1,267,903

22.3.2 Provision for impairment are as follows.
Collective impaired loans

	2019 Rs.	2018 Rs.
Balance as at 01st April	2,774,387	13,625,545
Impact of adoption of SLFRS 09 as at 01st April 2018	2,770,477	-
	5,544,863	13,625,545
Charge/ (Reversal) to statement of comprehensive income	20,880,947	(10,851,158)
Balance as at 31st March	26,425,811	2,774,387

22.4

As at 31st March 2019	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross Rentals Receivables				
- Lease Rentals	99,398,581	1,160,037,757	49,364,161	1,308,800,498
- Amounts Receivable from Hirers	2,383,363	-	-	2,383,363
	101,781,944	1,160,037,757	49,364,161	1,311,183,862
Less: Unearned Income				
Finance Lease	(27,733,792)	(346,433,299)	(21,385,880)	(395,552,971)
Hire Purchase	(12,890)	-	-	(12,890)
Net Rentals Receivables	74,035,262	813,604,458	49,364,161	915,618,002
Less : Provision for impairment				
Finance Lease				(26,767,551)
Hire Purchase				(2,101,743)
Total Net Rentals Receivable				886,748,708

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE (Contd…)

22.5 As at 31st March 2018

	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross Rentals Receivables				
- Lease Rentals	197,682,131	363,786,548	169,906,462	731,375,140
- Amounts Receivable from Hirers	3,346,058	2,618,867	-	5,964,925
	201,028,188	366,405,415	169,906,462	737,340,065
Less: Unearned Income				
Finance Lease	(94,436,558)	(113,613,945)	(28,838,739)	(236,889,243)
Hire Purchase	(373,594)	(14,783)	-	(388,377)
Net rentals receivables	106,218,036	252,776,687	169,906,462	500,062,446
Less : Provision for impairment				
Finance Lease				(2,763,662)
Hire purchase				(1,278,629)
Total net rentals receivable				496,020,155

23. FINANCIAL INVESTMENTS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS / HELD TO MATURITY

	2019 Rs.	2018 Rs.
Financial Investments - Held to Maturity	-	122,468,456
Financial Investments at Amortised Cost	387,329,553	-
	387,329,553	122,468,456

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

The Company has classified its investments in government debt securities-Treasury bills & bonds previously classified as financial investments held to maturity as debt instruments at amortised cost.

			2019 Rs.	2018 Rs.
23.1	Government of Sri Lanka Treasury Bills		192,988,421	121,398,136
	Government of Sri Lanka Treasury Bonds		1,090,640	1,070,320
	Deposits with Banks and Other Financial Institutions	(23.2)	193,268,040	-
	Less: Provision for impairment	(23.3)	(17,548)	-
			387,329,553	122,468,456

		2019 Rs.	2018 Rs.
23.2	Deposits with Banks and Other Financial Institutions (Net of impairment)		
	Less than 03 months	193,117,585	74,852,197
	More than 03 months	132,907	77,228,969
		193,250,492	152,081,166

		2019 Rs. Stage 1	2019 Rs. Total
23.3	**Movement in provision for impairment are as follows.**		
	Balance as at 01.04.2018	22,868	22,868
	Charge/(Reversal) for the year	(5,320)	(5,320)
	Balance as at 31.03.2019	17,548	17,548

24. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE FOR SA

	2019 Rs.	2018 Rs.
Unquoted equities (Note 24.1)		
Financial Investments - available for sale	-	56,300
Financial Investments at fair value through other comprehensive income (FVOCI)	56,300	-
	56,300	56,300

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

Unquoted available for sale investments/equity instruments at FVOCI are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

24.1 Unquoted equities

	31.03.2019			31.03.2018		
	Number of shares	Cost of Investment Rs.	Fair Value Rs.	Number of shares	Cost of Investment Rs.	Fair Value Rs.
Credit Information Bureau of Sri Lanka	100	56,300	56,300	100	56,300	56,300
Total		56,300	56,300		56,300	56,300

25. OTHER FINANCIAL ASSETS

	2019 Rs.	2018 Rs.
Receivable - Rent Income	6,919,521	1,294,521
Others	2,017,064	-
	8,936,585	1,294,521

26. INVENTORIES

	2019 Rs.	2018 Rs.
Real Estate Stock (Note 26.1)	386,746,646	129,266,607
	386,746,646	129,266,607

26.1 Real Estate Stock

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	133,249,497	38,550,560
Additions during the year	552,487,715	200,683,913
Disposals during the Year	(287,882,494)	(105,984,976)
	397,854,718	133,249,497
Less: Project Provision	(11,108,071)	(3,982,891)
Balance at the end of the year	386,746,646	129,266,607

27. OTHER NON FINANCIAL ASSETS

	2019 Rs.	2018 Rs.
Taxes Receivable	-	8,581
Prepayments	9,604,882	7,778,196
Others	2,333,405	3,628,658
	11,938,288	11,415,435

28. INVESTMENT PROPERTY

As at 31st March	2019 Rs.	2018 Rs.
Balance as at 1st April	105,439,534	-
Additions during the year	-	76,514,000
Change in fair value during the year	-	28,925,534
Balance as at 31st March	105,439,534	105,439,534
Rental income earned	19,565,218	4,386,540
Direct operating expenses incurred	-	-

Land and building situated at No. 66,Attidiya Road,Ratmalana is being rent out to a third party by the Company and the property is held to earn rental income. Accordingly, these land and building have been classified as investment property in the Statement of Financial Position of the Company in accordance with Sri Lanka Accounting Standard - LKAS 40 - “Investment Property”.

Description of valuation techniques used and key inputs to valuation of investment properties:

Property	Name of the Chartered Valuation Surveyor	Method of valuation	Significant unobservable inputs		
			Estimated price per perch (Rs.)	Estimated discount rate	Correlation to fair value
Land and building, No. 66,Attidiya Road,Ratmalana	R.S. Wijesuriya	Income approach	1,875,000	14.90%	Negatively correlated sensitivity

29. PROPERTY, PLANT AND EQUIPMENT

29.1 Gross Carrying Amounts

	Balance As at 01.04.2018 Rs.	Additions/ Acquisitions Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Cost				
Freehold Assets				
Equipment	6,869,061	233,752	-	7,102,813
Furniture & Fittings	21,243,319	1,756,946		23,000,264
Motor Vehicles - Company	7,688,952	5,225,000	(388,875)	12,525,077
Office Equipment	36,390,870	4,051,023	-	40,441,894
Machinery	1,047,018	-	-	1,047,018
Assets on Finance Lease				
Motor Vehicle	3,886,596	327,000	(4,213,596)	-
Total Value of Depreciable Assets	77,125,815	11,593,721	(4,602,471)	84,117,066

29. PROPERTY, PLANT AND EQUIPMENT (Contd...)

29.2 Depreciation

	Balance As at 01.04.2018 Rs.	Charge for the Year Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Depreciation				
Freehold Assets				
Equipment	2,898,452	1,611,930	-	4,510,382
Furniture & Fittings	9,714,709	2,484,968	-	12,199,677
Motor Vehicles - Company	7,535,479	196,466	(337,892)	7,394,053
Office Equipment	23,898,894	7,533,514	-	31,432,408
Machinery	666,545	104,701	-	771,246
Assets on Finance Lease				
Motor Vehicle	3,886,596	325,465	(4,212,061)	-
	48,600,675	12,257,044	(4,549,953)	56,307,765

29.3 Gross Carrying Amounts

Cost	Balance As at 01.04.2017 Rs.	Additions/ Acquisitions Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Freehold Assets				
Equipment	2,252,037	4,617,024	-	6,869,061
Furniture & Fittings	15,503,109	5,740,210	-	21,243,319
Motor Vehicles - Company	7,688,952	-	-	7,688,952
Office Equipment	27,057,209	9,333,661	-	36,390,870
Machinery	1,047,018	-	-	1,047,018
Assets on Finance Lease				
Motor Vehicle	3,886,596	-	-	3,886,596
Total Value of Depreciable Assets	57,434,921	19,690,895	-	77,125,815

29.4 Depreciation

Depreciation Freehold Assets	Balance As at 01.04.2017 Rs.	Charge for the Year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Equipment	2,252,037	646,415	-	2,898,452
Furniture & Fittings	7,694,726	2,019,983	-	9,714,709
Motor Vehicles - Company	6,317,890	1,217,589	-	7,535,479
Office Equipment	17,704,735	6,194,159	-	23,898,894
Machinery	561,834	104,711	-	666,545
Assets on Finance Lease				
Motor Vehicle	3,439,386	447,210	-	3,886,596
	37,970,608	10,630,066	-	48,600,675

29. PROPERTY, PLANT AND EQUIPMENT (Contd...)

29.5 Net Book Values

	2019 Rs.	2018 Rs.
Equipment	2,592,431	3,970,609
Furniture & Fittings	10,800,587	11,528,610
Motor Vehicles - Company	5,131,024	153,473
Office Equipment	9,009,486	12,491,977
Machinery	275,772	380,473
Total Carrying Amount of Property, Plant & Equipment	27,809,300	28,525,141

29.6 Property, Plant and Equipment acquired during the Financial Year

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 11,593,721/- (2018 - Rs. 19,690,895/-). Cash payment amounting to Rs. 11,593,721/- (2018 - Rs. 19,690,895/-) was paid during the year for purchases of Property, Plant and Equipment.

29.7 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated Property, Plant and Equipment, which are still in use as at the reporting date is Rs. 32,091,662/- (2018 - Rs. 30,217,812.46/-).

30. INTANGIBLE ASSETS

	2019 Rs.	2018 Rs.
Cost		
Cost as at 01st April	8,818,137	7,818,137
Additions and Improvements	1,668,437	1,000,000
Cost as at 31st March	10,486,574	8,818,137
Amortisation		
Amortisation as at 01st April	6,595,825	5,489,869
Charge for the year	650,160	1,105,957
Accumulated amortisation as at 31st March	7,245,985	6,595,825
Net Book Value as at 31 March	3,240,589	2,222,312

30. INTANGIBLE ASSETS (Contd…)

30.1 Intangible Assets include computer software of the Company.

During the financial year, the company acquired intrangible assets value of Rs. 1,668,437/- (2018 - Rs. 1,000,000/-). Cash payments amounting to Rs. 1,668,437/-(2018- Rs.1,000,000/-) was paid during the year for purchases of intangible assets.

The initial cost of fully amortized Intangible assets ,which are still in use as at the reporting date is Rs. 6,326,997/-. (2018 - Rs. 4,126,996/-).

31. DEFERRED TAXATION

Deferred Tax (Assets), Liabilities and Income Tax relates to the following

	Accelerated depreciation for tax purposes		Provision for loan losses	Investment Property	Defined Benefit Obligation	Total
	Property, plant &	Leased assets				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2017	108,556	2,748,243	(24,733,884)	-	(611,570)	(22,488,656)
Income statement(Note 16.1)	2,371,131	21,842,577	(29,462,001)	8,099,099	(275,305)	2,575,502
Other comprehensive income	-	-	-	-	-	-
Balance as at 31 March 2018	2,479,687	24,590,820	(54,195,884)	8,099,099	(886,875)	(19,913,154)
Balance as at 31 March2018	2,479,687	24,590,820	(54,195,884)	8,099,099	(886,875)	(19,913,154)
Impact of adoption of SLFRS 9 (Note 7)	-	-	(13,724,838)	-	-	(13,724,838)
Adjusted balance as at 1 April 2018	2,479,687	24,590,820	(67,920,722)	8,099,099	(886,875)	(33,637,992)
Income statement(Note 16.1)	(1,672,860)	(1,313,248)	48,624,946	(5,206,564)	(458,921)	39,973,353
Other comprehensive income	-	-	-	-	136,692	136,692
Balance as at 31 March 2019	806,827	23,277,571	(19,295,776)	2,892,535	(1,209,105)	6,472,052

32. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019	2018
	Rs.	Rs.
Bank Overdrafts	237,576,960	42,276,552
Finance Lease (32.2)	-	257,672
Bank Loan (32.3)	319,048,816	149,816,667
Loans - Other Financial Institutions (32.4)	537,591,514	235,329,371
Total	1,094,217,290	427,680,261

32. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (Contd...)

32.1 Maturity Analysis

	Note	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.
Bank Overdraft		237,576,960	-	237,576,960	42,276,552	-	42,276,552
Finance Lease	32.2		-	-	257,672	-	257,672
Bank Loan	32.3	185,767,850	133,280,966	319,048,816	35,767,851	114,048,816	149,816,667
Loans - Other Financial Institutions	32.4	5,174,249	532,417,265	537,591,514	235,329,371	-	235,329,371
		428,519,058	665,698,232	1,094,217,290	313,631,445	114,048,816	427,680,261

The borrowings includes long term and short term loans which carry interest rates which are variable and are reset on a monthly / quarterly / semi-annually / annual basis.

32.2 Finance Lease

	As at 01.04.2018 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
Finance Leases	257,672	-	(257,672)	-
	257,672	-	(257,672)	-
Gross Liability	458,610			-
Finance Charges allocated for Future Periods	(17,494)			-
Down Payment	(183,444)			-
Net Finance Lease Liability	257,672			-

	As at 01.04.2017 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.03.2018 Rs.
Finance Leases	1,206,258	-	(948,586)	257,672
	1,206,258	-	(948,586)	257,672
Gross Liability	1,559,274			458,610
Finance Charges allocated for Future Periods	(169,572)			(17,494)
Down Payment	(183,444)			(183,444)
Net Finance Lease Liability	1,206,258			257,672

32.2.1 Finance Lease Maturity

	2019 Rs.	2018 Rs.
Gross liability	-	458,610
Finance Charges allocated for Future Periods	-	(17,494)
Down Payment	-	(183,444)
Net Liability	-	257,672
Repayable within One Year		
Gross liability	-	458,610
Finance Charges allocated for Future Periods	-	(17,494)
Down Payment	-	(183,444)
Net Liability	-	257,672
Repayable after One Year before Five Years		
Gross liability	-	-
Finance Charges allocated for Future Periods	-	-
Down Payment	-	-
Net Liability	-	-

32 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (Contd...)

32.3 Bank Loans

	As at 31.03.2018			Loans	Interest	Capital	Interest	As at 31.03.2019		
	Capital Rs.	Int. Payable Rs.	Total	Obtained Rs.	Expenses Rs.	Repayment Rs.	Paid Rs.	Capital Rs.	Int. Payable Rs.	Total Rs.
NDB Bank PLC - Term Loan										
Term Loan	149,816,667	-	149,816,667	-	22,977,541	(35,767,851)	(22,977,541)	114,048,816	-	114,048,816
Short Term Loan	-	-	-	155,000,000	1,361,644	(150,000,000)	(1,361,644)	5,000,000	-	5,000,000
DFCC Bank PLC										-
Term Loan	-	-	-	200,000,000	-	-	-	200,000,000	-	200,000,000
	149,816,667	-	149,816,667	355,000,000	24,339,184	(185,767,851)	(24,339,184)	319,048,816	-	319,048,816

32.4 Loans - Other Financial Institutions

	As at 31.03.2018			Loans	Interest	Capital	Interest	As at 31.03.2019		
	Capital Rs.	Int. Payable Rs.	Total	Obtained Rs.	Expenses Rs.	Repayment Rs.	Paid Rs.	Capital Rs.	Int. Payable Rs.	Total Rs.
Capital Alliance Ltd	-	-	-	100,000,000	6,501,963	(5,174,249)	-	94,825,751	6,501,963	101,327,714
M Power Capital (Pvt) Ltd	-	-	-	300,000,000	9,712,977	-	-	300,000,000	9,712,977	309,712,977
First Capital Ltd	-	-	-	124,978,371	1,572,452	-	-	124,978,371	1,572,452	126,550,823
Agora Securities Ltd	224,546,501	10,782,870	235,329,371	-	23,138,168	(224,546,501)	(33,921,037)	-	-	-
	224,546,501	10,782,870	235,329,371	524,978,371	40,925,560	(229,720,750)	(33,921,037)	519,804,122	17,787,392	537,591,514

32.5 Loan Terms and Security details

Name of the Financial Institution	Repayment Terms	Security
NDB Bank PLC	48 equal monthly installments	Corporate Guarantee from Prime Lands (Pvt) Ltd
NDB Bank PLC	Revolving Basis, withing 6 months it should be settled	Corporate Guarantee from Prime Lands (Pvt) Ltd
DFCC Bank PLC	48 equal monthly installments	Corporate Guarantee from Prime Lands (Pvt) Ltd
Capital Alliance Ltd	36 equal monthly installments	Lease portfolio (Rs. 175 Mn)
M Power Capital (Pvt) Ltd	20 equal monthly installments	Lease portfolio (Rs. 468 Mn)
First Capital Ltd	38.16 equal monthly installments	Mortgage Loan Portfolio (Rs.502Mn)
Agora Securities Ltd	24 equal monthly installments	Future receivables of EP Portfolio (Rs.338Mn)

33. DUE TO CUSTOMERS

	2019 Rs.	2018 Rs.
Fixed Deposits	2,648,495,345	1,884,024,267
Savings Deposits	97,826,668	515,125,235
	2,746,322,013	2,399,149,502

33.1 Sri Lanka Deposit Insurance and Liquidity Support Scheme

Under the Direction No.02 of 2010 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka,all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Monetary Board for compensation up to a maximum of Rs.600,000/- per depositor.The Comapny has paid Rs.3,268,116/- as the premium of the said insurance scheme during the current financial year. (2017/18 - Rs.1,834,058/-).

34. OTHER FINANCIAL LIABILITIES

	2019 Rs.	2018 Rs.
Other Creditors	4,844,211	2,516,317
Reimbursable expenses & Other Payables	-	2,576,508
Impairment provision in respect of off-balance sheet credit exposures	1,731,645	
	6,575,856	5,092,825

35. OTHER NON-FINANCIAL LIABILITIES

	2019 Rs.	2018 Rs.
WHT Payable	926,530	216,479
VAT Payable	1,770,517	1,166,479
Stamp Duty Payable	1,031,371	3,433,605
Provision for Financial VAT	602,327	4,605,026
Debt Repayment Levy Payable	1,298,763	-
Advance on Real Estate	105,382,240	20,378,220
Accrual & Other Payable	69,836,016	193,410,215
	180,847,764	223,210,024

36. RETIREMENT BENEFIT OBLIGATIONS

	2019 Rs.	2018 Rs.
Balance at the Beginning of the year	3,167,412	2,184,180
Amount Charged for the Year (Note 36.2)	2,097,706	1,220,257
Payments made during the year	(458,700)	(192,000)
Actuarial Losses / (Gains) on Obligation	(488,185)	(45,025)
Balance at the End of the Year	4,318,233	3,167,412

36.1 Assumptions

	2019	2018
Discount Rate	10.0%	10.0%
Salary Increment	7.5%	7.5%
Staff Turnover		
20 to 30 years	3.0%	3.0%
35 years	3.0%	3.0%
40 years	3.0%	3.0%
45 years	3.0%	3.0%
50 years	0.0%	0.0%
Average Future Working Life Time as per the assumptions made is Mortality	14.93 Years	14.93 Years
	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Disability	Varing percentage with age of A49-52 Mortality rates.	Varing percentage with age of A49-52 Mortality rates.
Retirement age	Normal Retirement Age (55 years), The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.	Normal Retirement Age (55 years), The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.

An actuarial valuation of the retirement benefit obligation at 31st March 2019 was carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuaries to value the Fund is the "Projected Unit Credit Method", recommended by LKAS 19 (Employee Benefits).

36.2 Net benefit expense categarised under personal expenses.

	2019 Rs.	2018 Rs.
Current Service Cost	1,780,965	936,314
Interest Cost	316,741	283,943
	2,097,706	1,220,257

36. RETIREMENT BENEFIT OBLIGATIONS (Contd….)

36.3 Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase/ (Decrease) in the discount rate	Increase/ (Decrease) in salary increment	2019 Sensitivity Effect on Comprehensive Income Increase/ (Reduction) in Results for the Year (Rs. Mn.)	2019 Sensitivity Effect on Employment Benefit Obligation Increase/ (Decrease) in the Liability (Rs. Mn.)
1%		0.44	(0.44)
-1%		(0.51)	0.51
	1%	(0.54)	0.54
	-1%	0.46	(0.46)

37. INCOME TAX PAYABLE

	2019 Rs.
Balance as at 1st April 2018	(8,581)
Less : Adjustment (ESC/WHT)	(7,063,224)
Provision for the year	53,418,511
Balances as at 31st March 2019	46,346,706

38. STATED CAPITAL

38.1 Issued and Fully Paid-Ordinary shares

	2019 No of Shares	2019 Rs.	2018 No of Shares	2018 Rs.
At the beginning of the Year	36,000,000	508,500,000	22,500,000	225,000,000
Issued during the Year	43,200,000	864,000,000	13,500,000	283,500,000
At the end of the Year	79,200,000	1,372,500,000	36,000,000	508,500,000
Total Stated Capital	79,200,000	1,372,500,000	36,000,000	508,500,000

38.2 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

All shares rank equally with regard to the Company's residual assets.

39. RETAINED EARNINGS

	2019 Rs.	2018 Rs.
As at 01 April	95,883,623	83,402,420
Profit/(Loss) for the Year	178,645,483	13,090,713
Other Comprehensive Income/(Expense), net of tax	351,493	45,025
Impact of adopting SLFRS 9 (Note 7)	(35,292,440)	-
Transfers (to)/from Statutory Reserve Fund (Note 40)	(8,932,274)	(654,536)
As at 31 March	230,655,885	95,883,622

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

40. OTHER RESERVES

	Statutory Reserve Rs.
As at 01st April 2018	8,036,670
Transfers to/(from) during the year	654,535
As at 31st March 2018	8,691,205
Transfers to/(from) during the year	8,932,274
As at 31st March 2019	17,623,479

40.1 Reserve Fund is a capital reserve which contains profits transferred as required by Section 3 (b) (i) of Central Bank Direction No. 1 of 2003.

41. COMPARATIVE INFORMATION

The Comparative information is reclassified wherever necessary to conform the current year's presentation and details are given below.

Statement of Financial Position

	Note	As disclosed in 31.03.2018	Adjustment	Reclassified
Investment in Fixed Deposits	A	-	152,081,166	152,081,166
Other Financial Assets	A	153,375,687.00	(152,081,166)	1,294,521
Due to Banks	B	192,350,891	(192,350,891)	-
Due to Banks and Other Financial Institutions	B	-	427,680,262	427,680,262
Other Financial Liabilities	B	240,422,196	(235,329,371)	5,092,825

A Fixed Deposits which were previously reported under Other Financial Assets have been transferred to Investment in Fixed Deposits.

B Other Financial Institution's loans which were previously reported under Other Financial Liabilities and have been transferred to Due to Banks and Other Financial Institutions.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company’s estimate of assumptions that a market participant would make when valuing the instruments.

Financial Investments - Fair Value Through Other Comprehensive Income

The estimated fair values of unquoted equity are valued using models that use observable market data.

42.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

42.1 Determination of Fair Value and Fair Value Hierarchy (Contd...)

As at 31st March 2019	**Level 1 Rs.**	**Level 2 Rs.**	**Level 3 Rs.**	**Total Rs.**
Investment Property	-	-	105,439,534	105,439,534
Financial investments at fair value through other comprehensive income				
Unquoted Equities	-	-	56,300	56,300
Total Financial Assets	-	-	105,495,834	105,495,834

As at 31st March 2018	**Level 1 Rs.**	**Level 2 Rs.**	**Level 3 Rs.**	**Total Rs.**
Investment Property	-	-	105,439,534	105,439,534
Financial Investments - Available for Sale				
Unquoted Equities	-	-	56,300	56,300
Total Financial Assets	-	-	105,495,834	105,495,834

There were no financial liabilities recorded at fair value as at 31 March 2018 & 31 March 2019.
There were no transfers between Level 1 and Level 2 during 2017/2018 & 2018/2019.
Unquoted equities – cost is assumed to be the best approximation of the fair valve due to absence of most recent exist prices.

Investment property

Date of valuation - 31.03.2019
Valuvation technique - Income base
Significant unobservable inputs - Estimated rental value per month Rs. 1,875,000/-
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42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

42.2 Determination of Fair Value and Fair Value Hierarchy (Contd...)

Set out below is the comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non-financial liabilities.

	2019					2018				
	Fair Value Measurement using					Fair Value Measurement using				
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Carrying Value at amortised Cost	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Carrying Value at amortised Cost
	Level 1	Level 2	Level 3	Total Fair Value		Level 1	Level 2	Level 3	Total Fair Value	
				Rs.	Rs.				Rs.	Rs.
Financial Assets										
Financial assets at amortised cost - Loans and Advances	-	-	3,400,085,475	3,400,085,475	3,418,267,118	-	-	2,163,368,910	2,163,368,910	2,184,713,333
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	-	-	858,592,064	858,592,064	886,748,708	-	-	464,476,392	464,476,392	496,020,155
Financial investments at amortised Cost - Debt & other instruments	194,057,741	-	-	194,057,741	387,329,553	-	-	-	-	-
Financial Investments - Held to Maturity	-	-	-	-	-	122,479,843	-	-	122,479,843	122,468,456
Total Financial Assets	194,057,741	-	4,258,677,540	4,452,735,281	4,692,345,379	122,479,843	-	2,627,845,302	2,750,325,145	2,803,201,944
Financial Liabilities										
Due to Customers	-	-	2,746,279,456	2,746,279,456	2,746,322,013	-	-	2,399,134,286	2,399,134,286	2,399,149,502
Total Financial Liabilities	-	-	2,746,279,456	2,746,279,456	2,746,322,013	-	-	2,399,134,286	2,399,134,286	2,399,149,502

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets & Liabilities for which Fair Value Approximates Carrying Value

Carrying amounts of Cash and Bank Balances, Financial Investments,Other Financial Assets, Due to Banks & Other Financial Liabilities are approximate to their fair values

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits and savings deposits which doesn't have a specific maturity. Carrying amount of the finance lease liability is approximate their fair value as there is no considerable difference in the interest rate at the granted date and as of the reporting date.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. There is a significant difference between carrying value and fair value of Reverse Repurchase Agreements and Repurchase Agreements with original tenors above one year. In fair valuing held to maturity securities, rates published by the CBSL for similar trading securities were used. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year.

Lease Rentals Receivable & Stock Out on Hire
Lease rentals receivable & Stock out on hire with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year.

43. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

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

	2019			2018		
	With in 12 Months Rs.	After 12 Months Rs.	Total as at 31/03/2019 Rs.	With in 12 Months Rs.	After 12 Months Rs.	Total as at 31/03/2018 Rs.
Assets						
Cash & Cash Equivalents	469,366,656	-	469,366,656	417,958,339	-	417,958,339
Financial assets at amortised cost - Loans and Advances	371,447,708	3,045,087,765	3,418,267,118	536,444,517	1,648,269,216	2,184,713,733
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	26,905,570	859,843,136	886,748,708	7,267,823	488,752,332	496,020,155
Financial Investments - Available for Sale	-	-	-	-	56,300	56,300
Financial Investments at Fair Value Through Other Comprehensive Income	-	56,300	56,300	-	-	-
Financial Investments at Amortised Cost	386,238,913	1,090,640	387,329,553	-	-	-
Financial Investments - Held to Maturity	-	-	-	121,398,136	1,070,320	122,468,456
Investment in Fixed Deposits	-	-	-	152,081,166	-	152,081,166
Other Financial Assets	8,936,585	-	8,936,585	1,294,521	-	1,294,521
Inventories - Real Estate Stock	386,746,646	-	386,746,646	129,266,607	-	129,266,607
Other Non Financial Assets	11,938,288	-	11,938,288	9,135,435	2,280,000	11,415,435
Investment Property	-	105,439,534	105,439,534	-	105,439,534	105,439,534
Property, Plant & Equipment	-	27,809,300	27,809,300	-	28,525,141	28,525,141
Intangible Assets	-	3,240,589	3,240,589	-	2,222,312	2,222,312
Deferred tax Asset	-	-	-	-	19,913,154	19,913,154
Total Assets	1,661,580,365	4,042,567,265	5,705,879,277	1,374,846,544	2,296,528,309	3,671,374,851
Liabilities						
Due to Banks	-	-	-	42,534,224	149,816,667	192,350,891
Due to Banks and Other Financial Institutions	237,576,960	856,640,330	1,094,217,290	-	-	-
Due to Customers	1,739,208,868	1,007,113,145	2,746,322,013	1,061,593,225	1,337,556,277	2,399,149,502
Other Financial Liabilities	6,575,856	-	6,575,856	240,422,196	-	240,422,196
Other Non-Financial Liabilities	180,847,764	-	180,847,764	223,210,024	-	223,210,024
Retirement Benefit Liability	-	4,318,233	4,318,233	-	3,167,412	3,167,412
Deferred tax Liability	-	6,472,052	6,472,052			
Income Tax Payable	-	46,346,706	46,346,706	-	-	-
Total liabilities	2,164,209,448	1,920,890,466	4,085,099,914	1,567,759,669	1,490,540,357	3,058,300,024
Net	(502,629,083)	2,121,676,799	1,620,779,363	(192,913,125)	805,987,952	613,074,826

44. COMMITMENTS AND CONTINGENCIES

There were no material contingent liabilities or capital commitments as at reporting date except for the undrawn loan commitment as follows :

44.1 Commitments

	2019 Rs.	2018 Rs.
Commitment for Unutilised Facilities	210,656,401	13,403,458
Impairment provision in respect of off-balance sheet credit exposures - credit related commitments & contingencies (Note 44.2)	(1,731,645)	na
	208,924,756	13,403,458

*The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

44.2 Analysis of credit related Commitment and Contingencies based on Exposure to Credit Risk

As at 31 March 2019

	Stage 1	Stage 2	Stage 3	Total
Commitment for Unutilised Facilities	-	210,656,401	-	210,656,401
Less : Provision for impairment	-	(1,731,645)	-	(1,731,645)
	-	208,924,756	-	208,924,756

44.2.1 Impairment provision- Commitment and Contingencies

	2019 Rs.
Balance as at 1st April	1,595,649
Net charge for the year (Note 12)	135,996
Balance as at 31st March	1,731,645

45. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Ass	Nature of Liability	Carrying Amount Pledged 2019 Rs.	2018 Rs.
Fixed Deposits	Overdrafts	-	22,699,983
Lease portfolio	Loans - Other Financial Institutions	175,000,000	-
Lease portfolio	Loans - Other Financial Institutions	468,000,000	-
Mortgage Loan Portfolio	Loans - Other Financial Institutions	502,000,000	-
Future receivables of EP Portfolio	Loans - Other Financial Institutions	338,000,000	-
		1,483,000,000	22,699,983

46. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

47. RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of business with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

47.1 Parent & Ultimate Controlling Party

In the opinion of Directors, the Company's parent undertaking and also Company's ultimate parent undertaking is Prime Lands (Pvt) Ltd as at the reporting date.

47.2 Transactions with Key Managerial Personnel (KMPs) and their Close Family Members (CFM)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company and its parent. Such KMPs include the board of directors of the Company (include executive and non executive directors).

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity. They may include KMPs domestic partner and children, children of the KMPs domestic partner and dependents of the KMP or the KMPs domestic partner.

47.2.1 Key Management Personnel Compensation

	2019 Rs.	2018 Rs.
Short Term Employment Benefits	2,694,444	1,743,651
	2,694,444	1,743,651

47.3.1 Transactions with Parent Company

	2019 Rs.	2018 Rs.
Deposits made by Parent Company (Prime Lands Private Limited)	-	450,000,000

Items in statement of Financial Position	**Reported under**	**2019 Rs.**	**2018 Rs.**
Assets			
Deposits made in the comapany	Due to Customers	452,425,381	452,425,381
Interest payable on Deposits	Due to Customers	7,478,799	-
WHT on Deposits		(373,940)	-
Closing Fee		(100)	-
Cash withdrawn and utilized for Rights issue on 17th July 2018		(459,530,140)	-
		-	452,425,381

Items in Statement of Comprehensive Income	**Reported under**		
Interest Expense on Deposits	Interest Expenses	7,478,799	9,688,837
Buliding rent	Rent Expenses	9,409,500	7,070,300
Land (real estate stock) sold to Parent Company (Prime Lands Private Limited)		39,462,836	54,300,000

47. RELATED PARTY TRANSACTIONS (Contd...)

Items in Statement of Comprehensive Income	**Reported under**	**2019 Rs.**	**2018 Rs.**
Net gain from land sale	Net gain/(loss) from trading	2,201,599	18,986,361

* As at 31st March 2019 & 2018, Company has capital and interest receivable of Rs. 761,721,166 and Rs. 414,295,908 respectively on Easy Payments Loans granted to customers which are guaranteed by Prime Lands (Pvt) Ltd.

47.3.2 Transactions with Affiliated Companies

Items in statement of Financial Position	**Reported under**	**2019 Rs.**	**2018 Rs.**
Assets			
Loans given to Prime Lands Residencies (Pvt) Ltd	Loans and Advances	50,000,000	-
Loans given to Prime Lands Residencies (Pvt) Ltd	Lease Rentals Receivable & Stock Out on Hire	31,000,000	-
Loans given to Bhoomi Realty Holdings (Pvt) Ltd	Loans and Advances	2,745,195	-
Loans given to Bhoomi Realty Holdings (Pvt) Ltd	Lease Rentals Receivable & Stock Out on Hire	3,555,301	-
		87,300,496	-
Items in Statement of Comprehensive Income	**Reported under**		
Interest Income from Bhoomi Realty (Pvt) ltd	Interest Income	326,527	-
Interest expense on deposits Prime Residencies (Pvt) Ltd	Interest Expense	-	208,323

47.3.3 Transactions with Directors' and CEO of the Company

Items in statement of Financial Position	**Rs.**
Deposits made by directors, their spouses as at 1 April 2018	46,507,391
Net Deposits made during the year	(43,218,394)
Interest Expense	6,144,514
Interest Paid	(5,011,597)
WHT deduction	(358,933)
Deposits made by directors, their spouses as at 31 March 2019	4,062,980

Items in Statement of Comprehensive Income

Interest Expense on Deposits for the year ended 31.03.2019	6,144,514

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. The Company has not made any provision for doubtful debts relating to amounts owed by related parties (2018: Nil)

Prime Lands (Pvt) Ltd deposited Rs.450Mn (Rs.250Mn on 01st February 2018 and Rs.200Mn on 16th March 2018) in the savings account maintained with the company in order to utilize the same as a part of the consideration to the allotment of rights issue planned in July 2018. The deposited money was subsequently utilised for the Rights issue of ordinery shares concluded in July 2018 in order to increase Share Capital as required by the CBSL.

47.3.4 Significant Related Party transactions for the year ended 31st March 2019 are as follow:

Name of the Related Party	Relationship	Terms of the Transaction	Date	Amount Rs.
Prime Lands (Pvt) Ltd.	Parent	Savings withdrawal	17th July 2018	200,000,000
			17th July 2018	250,000,000
Prime Lands Residencies (Pvt) Ltd	Affiliated Company	Term Loans & Finance Leases	27th, 28th Feb'19 & 30th Mar'19	81,000,000

* This deposit was withdrawn and utilized for Right issue on 17th July 2018 in order to increase the Core Capital of the Company as required by Central Bank of Sri Lanka.

48. CAPITAL

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

48.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

49. RISK MANAGEMENT

49.1 Introduction

Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company's continuing profitability and each individual within the company is accountable for the risk exposures under his or her purview. The company is exposed to credit risk, liquidity risk, market risk and operational risk.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Integrated Risk Management Committee.

The company's policy is that risk management processes throughout the company are audited and the Audit Committee meets at least each quarter to review the progress of the Internal Audit function, which examines both the adequacy and the company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Regular Head of the Departments meetings are conducted by the Chief Executive Officer with the senior management who is responsible for implementing the decisions made by the Board and reviews of the operational and business progresses are carried out.

49.2 Credit Risk

Company views credit risk as the risk of a potential loss to the company when a borrower or counterparty is either unable or unwilling to meet its financial obligations. The Board of Directors has put in place the credit risk strategy and policies of the Company. The strategy includes identification of business sectors, target markets, level of diversification, and cost of capital and probability of bad debts.

Company's Credit Policy that is laid down by the management which plays a central role in managing credit activities can be described as the rules and parameters within which the company's credit environment operates. The policy defines the principles encompassing client selection, due diligence, lending criteria, credit approval discretion, early alert reporting, tolerable levels of concentration risk and portfolio monitoring in line with the company's risk appetite.

Given the scale and materiality of the company's loan book, managing the credit quality of the lending portfolio is a key focus area with the objective of minimizing probable losses and maintaining credit risk exposure within acceptable parameters. Hence, the company's credit portfolio remains well diversified by business sector, asset type and customer.

Credit committee is involved in monitoring of credit risk by analyzing the credit risk using several measurement criteria like 20 largest exposures, 10 largest 3-6 months arrears, 10 largest non-performing advances and sectorial exposure. For some of these measures company has stipulated risk tolerance level and continually monitors the credit exposure in order to ensure the best credit quality possible.

49. RISK MANAGEMENT (Contd...)

49.2 Credit Risk (Contd...)

49.2.1 Assessment of provision for impairment

49.2.1 (a) Analysis of the total provision for impairment is as follows.

As at 31 March 2019	Note	Stage 1	Stage 2	Stage 3	Total
Cash & Cash Equivalents	19.1	39,955	-	-	39,955
Financial assets at amortised cost - Loans and Advances	21.1	22,231,107	25,755,865	184,028,190	232,015,162
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	22.1	6,034,125	7,626,998	15,208,171	28,869,294
Financial investments at amortised Cost - Debt & other instruments					
Investment in Fixed Deposits	23.1	17,548	-	-	17,548
Credit related commitments and contingencies	44.2.1		1,731,645		1,731,645
Total provision for impairment		28,322,735	35,114,508	199,236,361	262,673,605

49.2.1 (b) Movement of the total provision for impairment during the period

	Total
Balance as at 1st April 2019	176,722,746
Net charge to profit or loss	85,950,858
Balance as at 31st March 2019	262,673,605

49.2.1 (c) Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses

The following table illustrates the impact of staging of loans by comparing the allowance, if all performing loans and advances and lease receivables were in stage 1 or if all such assets were in stage 2 to the actual expected credit loss recorded on these assets.

	Stage 1 and 2 Actual ECL	ECL - If all performing loans in Stage 1	Impact of staging
	Rs.	Rs.	Rs.
Total allowance for expected credit losses	59,916,451	35,373,407	(24,543,044)

	Stage 1 and 2 Actual ECL	ECL - If all performing loans in Stage 2	Impact of staging
	Rs.	Rs.	Rs.
Total allowance for expected credit losses	59,916,451	115,499,612	55,583,161

The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely

49.2.2 Maximum Exposure to Credit Risk

The following table shows the maximum exposure to credit risk by class of financial asset and the net exposure to credit risk.

As at 31st March	2019		2018	
	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	469,366,656	464,173,335	417,958,339	412,052,389
Financial assets at amortised cost - Loans and Advances	3,418,267,118	864,074,155	2,184,713,733	509,674,625
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	886,748,708	576,386,660	496,020,155	322,413,101
Financial investments at amortised Cost - Debt & other instruments	387,329,553	387,329,553	-	-
Financial Investments at Fair Value Through Other Comprehensive Income	56,300	56,300	-	-
Financial Investments - Available for Sale	-	-	56,300	56,300
Financial Investments - Held to Maturity	-	-	122,468,456	122,468,456
Investment in Fixed Deposits	-	-	152,081,166	152,081,166
Other Financial Assets	8,936,585	8,936,585	1,294,521	1,294,521
Total Financial Assets	5,170,704,920	2,300,956,589	3,374,592,670	1,520,040,558

49. RISK MANAGEMENT (Contd...)

49.2.3 Credit Quality by Class of Financial Assets

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk.

As at 31st March 2019	Neither Past Due Nor Impaired	Past Due But Not Impaired	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Bank Balances	469,366,656	-	-	469,366,656
Financial assets at amortised cost - Loans and Advances (Gross)	2,160,408,630	1,351,629,059	138,244,590	3,650,282,279
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Gross)	379,794,599	533,379,919	2,443,483	915,618,001
Financial investments at amortised Cost - Debt & other instruments	387,329,553	-	-	387,329,553
Financial Investments at Fair Value Through Other Comprehensive Income	56,300	-	-	56,300
Other Financial Assets	8,936,585	-	-	8,936,585
Total Financial Assets	3,405,892,323	1,885,008,977	140,688,074	5,431,589,374

49.2.3.1 Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Impaired				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Financial assets at amortised cost - Loans and Advances (Gross)	390,879,407	357,086,713	272,282,635	331,380,303	1,351,629,059
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Gross)	221,377,433	119,485,937	110,372,563	82,143,985	533,379,919
	612,256,840	476,572,650	382,655,198	413,524,289	1,885,008,977

As at 31st March 2018	Neither Past Due Nor Impaired	Past Due But Not Impaired	Individually Impaired	Total
	Rs	Rs	Rs	Rs
Assets				
Cash and Bank Balances	417,958,339	-	-	417,958,339
Financial assets at amortised cost - Loans and Advances (Gross)	38,829	2,231,699,547	76,638,534	2,308,376,910
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Gross)	13,137	498,781,405	1,267,903	500,062,445
Financial Investments - Available for Sale	56,300	-	-	56,300
Financial Investments - Held to Maturity	122,468,456	-	-	122,468,456
Investment in Fixed Deposits	152,081,166			152,081,166
Other Financial Assets	1,294,521	-	-	1,294,521
Total Financial Assets	693,910,748	2,730,480,951	77,906,438	3,502,298,137

49. RISK MANAGEMENT (Contd...)

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Impaired				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Financial assets at amortised cost - Loans and Advances (Gross)	1,726,665,415	171,597,046	90,461,254	242,975,832	2,231,699,547
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	444,441,165	26,363,646	12,510,578	15,466,016	498,781,405
	2,171,106,580	197,960,692	102,971,832	258,441,848	2,730,480,951

49.3 Analysis of Concentration Risk

The company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances at the reporting date is shown below.

49.3.1 Industry Analysis- As at 31st March 2019

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

Sector wise Breakdown	Cash and Bank Balances	Financial assets at amortised cost-Loans and Advances**	Financial assets at amortised cost-Lease rentals receivable & Stock out on hire **	Financial Investments at Fair Value Through Other Comprehensive Income	Financial Investments at Amortised Cost	Other financial assets	Total Financial Assets
Agriculture	-	601,803,964	146,893,856	-	-	-	748,697,820
Manufacturing	-	466,877,080	142,996,377	-	-	-	609,873,457
Construction	-	227,162,983	112,005,986	-	-	-	339,168,969
Financial Services	469,366,656	85,188,055	18,926,900	-	193,250,492	-	766,732,101
Trading	-	332,946,419	112,497,091	-	-	2,017,064	447,460,574
Transport	-	151,648,658	95,399,064	-	-	-	247,047,723
Retail	-			-	-	-	-
Infrastructure	-	45,737	32,985	-	-	-	78,721
Government	-			-	194,079,061	-	194,079,061
Hotels	-	100,682,902	16,644,520	-	-	-	117,327,422
Services	-	1,451,911,322	241,351,927	56,300	-	-	1,693,319,549
Total	469,366,656	3,418,267,118	886,748,707	56,300	387,329,553	2,017,064	5,163,785,398

**Provincial breakdown for (01) Loans and Receivable (02) Lease Rentals Receivable & Stock out on Hire from customers with in Sri Lanka is as follows;

Province	Financial assets at amortised cost - Loans and Advances	Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	Total
	Rs.	Rs.	Rs.
Western	2,843,746,804	718,627,858	3,562,374,661
North Western	390,983,054	115,063,170	506,046,224
Central	183,537,260	53,057,679	236,594,940
	3,418,267,118	886,748,707	4,305,015,825

49. RISK MANAGEMENT (Contd...)

49.3.2 Industry Analysis - As at 31st March 2018

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

Sector wise Breakdown	Cash and Bank Balances	Financial assets at amortised cost- Loans and Advances**	Financial assets at amortised cost- Lease rentals receivable & Stock out on hire **	Financial Investments - Available for Sale	Financial Investments - Held to Maturity	Investment in Fixed Deposits	Other financial assets	Total Financial Assets
Agriculture	-	185,668,818	41,793,045	-	-	-	-	227,461,863
Manufacturing	-	213,561,365	53,251,734	-	-	-	-	266,813,099
Construction	-	324,977,453	45,602,423	-	-	-	-	370,579,876
Financial Services	417,958,339	48,724,826	3,762,734	-	-	152,081,166		622,527,065
Trading	-	216,404,124	64,277,612	-	-	-	1,294,521	281,976,257
Transport	-	54,523,118	33,505,095	-	-	-	-	88,028,213
Retail	-	-	-	-	-	-	-	-
Infrastructure	-	4,833,734	129,194	-	-	-	-	4,962,928
Government	-	-	-	-	122,468,456	-	-	122,468,456
Hotels	-	-	-	-	-	-	-	-
Services	-	1,136,020,294	253,698,318	56,300	-	-	-	1,389,774,912
Total	417,958,339	2,184,713,733	496,020,154	56,300	122,468,456	152,081,166	1,294,521	3,374,592,670

**Provincial breakdown for (01) Loans and Receivable (02) Lease Rentals Receivable & Stock out on Hire from customers with in Sri Lanka is as follows;

Province	Financial assets at amortised cost - Loans and Advances Rs.	Financial assets at amortised cost - Lease Rentals Receivable & Rs.	Total Rs.
Western	1,884,018,635	423,280,307	2,307,298,941
North Western	177,095,984	62,990,885	240,086,869
Central	123,599,114	9,748,964	133,348,078
	2,184,713,733	496,020,155	2,680,733,888

49. RISK MANAGEMENT (Contd...)

49.4 Liquidity Risk & Funding Management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stressful circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected future cash flows.

The company maintains a portfolio of highly marketable assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The company also has committed lines of credit from banks that it can access to meet liquidity needs. In addition, the company maintains a statutory deposit with the Central Bank of Sri Lanka for customer deposits. In accordance with the company’s policy, the liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the company.

49.4.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company’s financial assets and liabilities as at 31st March 2019.

	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and Bank Balances	469,366,656	-	-	-	-	469,366,656
Financial assets at amortised cost - Loans and	76,283,859	88,283,082	270,281,958	2,171,198,099	1,044,235,281	3,650,282,279
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	2,468,650	118,026	27,956,434	820,206,487	64,868,404	915,618,001
Financial investments at amortised Cost - Debt & other instruments	201,912,040	93,712,233	97,055,193	36,127	-	392,715,593
Financial Investments at fair value through other comprehensive income	-	-	-	-	56,300	56,300
Other Financial Assets	6,919,521	2,017,064	-	-	-	8,936,585
Total Financial Assets	756,950,726	184,130,404	395,293,585	2,991,440,714	1,109,159,985	5,436,975,413
Financial Liabilities						
Due to Banks and Other Financial Institutions	254,329,194	25,584,995	387,652,506	611,506,891	-	1,279,073,586
Due to Customers	463,693,102	270,474,224	1,256,848,673	1,186,471,457	-	3,177,487,456
Other Financial Liabilities	5,297,144	1,278,713	-	-	-	6,575,856
Total Financial Liabilities	723,319,440	297,337,932	1,644,501,179	1,797,978,348	-	4,463,136,898
Total Net Financial Assets/(Liabilities)	33,631,287	(113,207,528)	(1,249,207,594)	1,193,462,366	1,109,159,985	973,838,515

49. RISK MANAGEMENT (Contd...)

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March 2018.

	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and Bank Balances	417,958,339	-	-	-	-	417,958,339
Financial assets at amortised cost - Loans and Advances	184,939,210	366,340,220	824,536,223	1,740,895,893	335,451,296	3,452,162,843
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,399,339	49,866,370	150,876,520	523,636,563	5,741,510	734,520,302
Financial Investments - Available for Sale	-	-	-	-	56,300	56,300
Financial Investments - Held to Maturity	-	-	128,873,998	1,070,320	-	129,944,318
Investment in Fixed Deposits	51,375,000	23,411,641	84,112,500	-	-	158,899,141
Other Financial Assets	3,169,521	3,750,000	16,875,000	18,750,000	-	42,544,521
Total Financial Assets	661,841,409	443,368,231	1,205,274,242	2,284,352,775	341,249,106	4,936,085,763
Financial Liabilities						
Due to Banks	42,326,552	3,889,451	32,262,009	114,057,120	-	192,535,132
Due to Customers	515,125,234	516,971,255	1,004,491,974	623,461,802	1,219,792	2,661,270,057
Other Financial Liabilities	2,516,317	2,576,508	258,611,538	-	-	263,704,363
Total Financial Liabilities	559,968,103	523,437,213	1,295,365,521	737,518,922	1,219,792	3,117,509,551
Total Net Financial Assets/(Liabilities)	101,873,306	(80,068,982)	(90,091,280)	1,546,833,854	340,029,315	1,818,576,212

49.4.2 Contractual Maturities of Commitments & Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. There were no material contingent liabilities as at reporting date.

		2019 Rs.	2018 Rs.
Commitments			
Commitment for Unutilized Facilities	On Demand	210,656,401	13,403,458
Impairment provision in respect of off-balance sheet credit exposures - credit related commitments & contingencies (Note 44.1)		(1,731,645)	na
		208,924,756	13,403,458

The amounts for the year ended 31st March 2019 have been prepared in accordance with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), whereas prior period amounts have not been restated.

49. RISK MANAGEMENT (Contd...)

49.5 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market variables such as interest rates and equity prices. Interest rate risk has been identified as the most critical risk given company's business profile. The Board of Directors of the company monitors the market risk through the risk management policies of the company.

49.5.1 Interest Rate Risk

Interest rate risk is the risk of loss of net interest income of the company due to adverse change in market interest rates and inability to maximize benefits from favorable movements in the market interest rates. We mitigate this effect by balancing interest rates to maximize gains in a rising interest rate environment while minimizing losses in an environment of declining interest rates. We continually assess our asset and liability profile in terms of interest rate risk and depending on this assessment necessary realignment structures are undertaken. During the year careful monitoring was done to maintain our funding mix to minimize effects on interest rate movements which as predicted last year continued to decline until the fourth quarter.

49.5.2 Interest Rate Risk Exposure on Financial Assets & Liabilities

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

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non interest bearing	Total as at 31/03/2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	308,945,489	-	-	-	-	160,421,167	469,366,656
Financial assets at amortised cost - Loans and Advances	139,803,318	231,832,655	741,693,865	1,290,747,432	1,014,189,848	-	3,418,267,118
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	136,551	26,769,019	217,274,043	578,782,737	63,786,357	-	886,748,707
Financial investments at amortised Cost - Debt & other instruments	293,490,677	92,748,236	-	1,090,641			387,329,554
Financial Investments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	56,300	56,300
Other Financial Assets	8,936,585		-	-	-	-	8,936,585
Total Financial Assets	751,312,620	351,349,910	958,967,908	1,870,620,810	1,077,976,205	160,477,467	5,170,704,919
Financial Liabilities							
Due to Banks	285,054,735	362,091,422	384,800,747	62,270,387	-	-	1,094,217,290
Due to Customers	667,334,703	1,070,849,021	909,422,231	98,716,057	-	-	2,746,322,013
Other Financial Liabilities	-	-	-	-	-	6,575,856	6,575,856
Total Financial Liabilities	952,389,437	1,432,940,443	1,294,222,978	160,986,444	-	6,575,856	3,847,115,160
INTEREST SENSITIVITY GAP	(201,076,817)	(1,081,590,534)	(335,255,070)	1,709,634,366	1,077,976,205	153,901,610	1,323,589,760

49. RISK MANAGEMENT (Contd...)

49.5.3 Interest Rate Risk Exposure on Financial Assets & Liabilities

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

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non interest bearing	Total as at 31/03/2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	376,561,669	-	-	-	-	41,396,670	417,958,339
Financial assets at amortised cost - Loans and Advances	182,644,939	353,799,578	605,262,279	705,176,210	337,830,727	-	2,184,713,733
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	782,713	6,485,110	160,716,396	312,554,124	15,481,811	-	496,020,154
Financial Investments - Available for Sale	-	-	-	-	-	56,300	56,300
Financial Investments - Held to Maturity	-	121,398,136	-	-	1,070,320	-	122,468,456
Investment in Fixed Deposits	74,852,197	77,228,969	-	-	-	-	152,081,167
Other Financial Assets	1,294,521	-	-	-	-	-	1,294,521
Total Financial Assets	636,136,040	558,911,793	765,978,675	1,017,730,334	354,382,858	41,452,970	3,374,592,670
Financial Liabilities							
Due to Banks	46,035,275	32,258,465	85,542,840	28,514,311	-	-	192,350,891
Due to Customers	631,024,459	430,568,768	978,973,526	301,954,597	56,628,153	-	2,399,149,502
Other Financial Liabilities	-	-	-	-	-	240,422,196	240,422,196
Total Financial Liabilities	677,059,734	462,827,233	1,064,516,366	330,468,908	56,628,153	240,422,196	2,831,922,589
INTEREST SENSITIVITY GAP	(40,923,694)	96,084,560	(298,537,691)	687,261,426	297,754,706	(198,969,227)	542,670,081

49.6 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The company cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

50. SEGMENTAL INFORMATION

For management purposes, the Company is organised into three operating segments based on services offered to customers as follows.

The following table presents income and profit and certain asset and liability information regarding the Company's operating segments.

	Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire		Financial assets at amortised cost - Loans and Advances		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	168,647,846	33,204,069	736,038,681	366,689,237	42,494,738	45,557,054	947,181,265	445,450,360
Interest Expenses	(72,635,428)	(15,612,502)	(317,006,625)	(172,416,711)	(18,302,181)	(21,420,856)	(407,944,234)	(209,450,069)
Net Interest Income/(Expenses)	96,012,418	17,591,567	419,032,057	194,272,526	24,192,556	24,136,198	539,237,031	236,000,292
Fee and Commission Income	3,864,500	925,747	16,866,039	10,223,490	973,750	1,270,155	21,704,289	12,419,392
Other Operating Income	-	-	-	-	131,936,585	74,901,339	131,936,585	74,901,339
Impairment (Charge)/Reversal for Loans and Other Credit Losses	(22,056,527)	1,867,460	(63,764,481)	(109,500,087)	(503,272)	-	(86,324,280)	(107,632,627)
Net Operating Income	77,820,391	20,384,775	372,133,615	94,995,929	156,599,620	100,307,692	606,553,626	215,688,395
Other Costs	47,254,161	12,587,362	206,233,828	139,008,575	11,906,782	17,270,267	265,394,771	168,866,204
Depreciation & Amortisation	2,298,158	874,808	10,029,972	9,660,949	579,074	1,200,265	12,907,204	11,736,023
Profit/ (Loss) before VAT on financial services	28,268,072	6,922,604	155,869,815	(53,673,595)	144,113,763	81,837,159	328,251,650	35,086,167
VAT on financial services, NBT & Debt Repayment Levy & Income Tax							(149,606,166)	(21,995,455)
Profit/(Loss) for the Year							178,645,485	13,090,713
Segmental Assets	974,228,798	570,630,410	3,755,488,151	2,513,333,544	976,162,328	587,410,898	5,705,879,277	3,671,374,853
Segmental Liabilities	697,494,949	475,342,091	2,688,725,712	2,093,637,493	698,879,252	489,320,442	4,085,099,914	3,058,300,025

51. OPERATING LEASE COMMITMENTS (PAYABLES)

The Company has taken on leased a number of branches and office premises under operating leases. These leases have an average life of between 1 to 10 years. Lease agreements include clauses to enable upward revision of the rental payments on a periodic basis to reflect market conditions. There are no restrictions placed upon the Company by entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows:

Future minimum rentals payable under non-cancellable operating leases are as follows:

As at December 31	2019 Rs.	2018 Rs.
Less than one year	8,121,000	13,974,000
Between one to five years	47,616,600	30,128,000
Over five years	8,730,997	2,000,000
Total	64,468,597	46,102,000

PRIME FINANCE PLC

SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING) AS AT 31ST MARCH 2019

Item	As at 31.03.2019 (Audited)	As at 31.03.2018 (Audited)
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital) Rs. '000	1,588,613	584,149
Total Capital Base, Rs. '000	1,654,435	584,149
Core Capital to Risk Weighted Assets Ratio (Minimum Requirement , 6%)	27.28%	21.00%
Total Capital to Risk Weighted Assets Ratio (Minimum Requirement, 10%)	28.41%	21.00%
Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)	57.96%	25.55%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodation, Rs. '000	251,929	205,626
Gross Non-Performing Accommodation Ratio, %	5.52	7.32
Net-Non Performing Accommodation Ratio, %	0.00	2.77
Profitability (%)		
Interest Margin	12.44%	10.49%
Return on Assets (before Tax)	5.80%	1.01%
Return on Equity (after Tax)	16.20%	2.82%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of Liquid Assets	279,658	265,772
Available amount of Liquid Assets	641,729	624,914
Required minimum amount of Government Securities	119,132	84,283
Available amount of Government Securities	192,069	121,398
Memorandum information		
Number of employees	128	121
Number of branches	7	7
Number of service centers	NIL	NIL
Number of pawning centers	NIL	NIL

* Calculated based on the new capital adequacy framework issued by Central Bank of Sri Lanka for licensed finance companies with effect from 1st July 2018

CERTIFICATION:

We, the undersigned, being the Chief Executive Officer and the AGM Finance of Prime Finance PLC certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statements have been extracted from the unaudited financial statements of the Licensed Finance Company unless indicated as audited.

Rasika Kaluarachchi
Chief Executive Officer

T M M Tennakoon
AGM - Finance

25-Jun-19