POWERING THE FUTURE

FINTREX FINANCE LIMITED

ANNUAL REPORT 2020/21

POWERING THE FUTURE

Fusing our strength with innovative financial solutions and operational excellence we continue to forge ahead with success. Over the years we have cultivated deep and strong relationships with our loyal stakeholders. As we reach out to serve a wide spectrum of customers ranging from grass root SME ventures to corporate clients, we create the right platform of service and excellence. Seeking new horizons to conquer and boundaries to push even further, we continue to transform, connect and grow to power the future of our stakeholders.

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"Having embraced a dynamic business model adaptable to external realities, our endeavors to strengthen the Company's technological platform to enrich customer experience will enable value creation for all our stakeholders."

REVIEW BY GENERAL MANAGER/ CHIEF EXECUTIVE OFFICER

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"Fintrex Finance Limited concluded the financial year 2020/21 with a pretax profit of Rs.250.8Mn and a profit after tax of Rs.195.8Mn, representing a growth of 735% and 422% respectively compared to the previous financial year."

VISION

Be within the top 5 financial solution providers by creating value to everyone we engage with.

MISSION

Create Value to:

- Our customers by offering services at their convenience through innovative technology.
- Our staff by developing and empowering to offer superior service.
- Our shareholders by optimizing returns.
- Our society by committing good governance.
- Our nation by contributing to their wellbeing.

VALUES

- **FAIRNESS** — We treat people equitably
- **INNOVATION** — We seek creativity in everything we do
- **NURTURE** — We develop our employees and customers
- **TRANSPARENT** — We will be open and honest in all our dealings
- **RESPECT** — We treat all individuals with dignity
- **ELEVATE** — We help in uplifting the social wellbeing of our nation
- **XENIAL** — We are sincere to all our stakeholders

ABOUT US

Fintrex Finance Limited is owned by Bluestone 1 (Pvt) Limited, backed by a consortium of world class investors including global insurance giant Fairfax Holdings who holds 70% along with MAS and Hirdaramani Group who together hold 24% of the equity shareholding. The investors of the Company are represented on the Board by Mr. Ajit Gunewardene Chairman, Mr. Ronnie Peiris, and Mr. Shantanu Nagpal, who are well known professionals in the corporate arena.

The Company, which was previously known as Melsta Regal Finance Ltd, was owned by Melstcorp PLC. With the change in the ownership, in April 2018, the Company was transferred from a trusted Sri Lankan conglomerate to another trusted multinational. The name of the Company Fintrex Finance was crafted from the words 'financial entrepreneurs' and 'experts' conveying a powerful combination that differentiates the Company in the financial services as a tech-driven progressive entity. This change in ownership has paved the way for Fintrex Finance to forge ahead with greater impetus to pursue its corporate goals. The Company inherited a strong balance sheet from Melsta Regal Finance Ltd and has witnessed exponential growth over the years despite the externalities in the business landscape.

The purpose of establishing 'Fintrex' revolves around the market requirement for a unique financial proposition together with faster turnaround times for customers who seek financial solutions. While the key focus is on the SME segment, an often-neglected area that needs much attention, Fintrex is accessible to anyone who requires financing to expand and develop their business to the next dimension of success. Fintrex aims to deliver a customized financial solution with a speedy service. This has been the success for attracting and retaining our loyal customers over the years. The Company is committed to nurturing loyalty, trust and long-term relationships with its customer base.

Unique brand identity, strength of its investors and strong business model positions the Company to leverage its unequivocal potential to unlock value for customers with action, speed and agility. The Company's value proposition is strongly founded on harnessing the power of information technology to provide a superior service.

The Company has recognised the financial needs of emerging entrepreneurs and SME enterprises in Sri Lanka who require financial support and assistance to reach their goals and aspirations. Fintrex Finance will focus on providing financial solutions to this aspiring segment which is recognised as a vital backbone of the economy. A strong contender in the financial services sector, 'Fintrex Finance Ltd.' has been able to capture a sizeable market share over the years demonstrating consistent growth in its lending portfolio. With a commitment towards promoting economic inclusion, growth and development within Sri Lanka, 'Fintrex' intends playing a pivotal role in supporting businesses and communities while providing people with access to financial solutions for a better tomorrow.

The Company's leadership has demonstrated its consistent commitment towards maintaining the best corporate governance and risk management practices whilst nurturing a performance driven team. Over the years much emphasis has been placed on training and developing talent to be equipped with the required technical knowledge and skills to compete in a dynamic and competitive environment. The Company possesses a "B+(lka); outlook stable by Fitch Ratings Sri Lanka.

Fintrex Finance offers a range of financial solutions from leasing facilities for purchase of registered, unregistered, and brand-new motor vehicles, short- and long-term loans as well as trade financing options and ancillary services supporting working capital requirements for businesses. The Company offers fixed deposits and savings schemes in the form of savings accounts and fixed deposits at attractive rates of interest targeting children to senior citizens at attractive rates of interest. Convenience and expediency are central to all operations at Fintrex. Simplified, automated processes and channels ensure quick and efficient delivery which is a hallmark of our unique service paradigm.

'Fintrex' has a wide geographical presence in key cities within Sri Lanka with a branch network of 11 branches in Colombo 07, Gampaha, Kalutara, Kiribathgoda, Kuliyapitiya, Negombo, Kandy, Matara, Kurunegala, Kegalle and Dambulla. The Company hopes to expand its footprint strategically.

The credo of Fintrex is 'to be better every day'. This has enhanced the Company's stability and credibility in the financial services sector making it a strong contender among many other players. The strategic road map for Fintrex is to embrace technology to improve efficiencies and cater to the emerging business needs and aspirations of modern clients on technology driven platforms. Digitalization of its operations places Fintrex in a superior position enabling the Company to minimize its environmental footprint to ensure sustainable operations.

IN OUR JOURNEY

2012

FEBRUARY
Received the finance license from the Central Bank of Sri Lanka to commence finance business

OCTOBER
Opening of the Head office premises by Governor of the Central Bank of Sri Lanka A N Cabral & Group Chairman D H S Jayawardena & commenced business operations

2013

MAY
The Company was rated Fitch A+(lka)

SEPTEMBER
Opening of first Branch in Kurunegala by Group Chairman - Deshamanya D H S Jayawardena

November
Opening of the Matara branch

2014

MARCH
Opening of the Kandy branch

Right Issue of Rs 650 Mn

SLITAD People Development Award 2014 Bronze Winner

JULY
Opening of the Negombo branch

OCTOBER
First Foreign Currency Loan of USD 10Mn

2015

MARCH
Recorded PBT of Rs 100 Mn and Total Assets reached to Rs 5 Bn

AUGUST

Opening of the Kiribathgoda Service center

Opening of the Kegalle branch

OCTOBER
Relocation of the Kandy branch

2016

MARCH
Opening of the Kuliyapitiya Branch

NOVEMBER
Opening of Gampaha Branch

DECEMBER
Opening of Kaluthara Branch

2018

APRIL
Change of ownership- Acquired by Bluestone 1 (Pvt) Ltd

SEPTEMBER
Name changed to Fintrex Finance Limited

2019

JANUARY
Opening of Dambulla Branch

MARCH
Recorded PBT of Rs 200 Mn and Total Assets reached to Rs 8 Bn

2020

FEBRUARY
City Branch Opening

JUNE
Rating upward from Fitch B (lka) to B+ (lka)

THE YEAR AT A GLANCE

Fastest growing finance company in Sri Lanka 2021

INTERNATIONAL BUSINESS MAGAZINE

Great Place To Work® Certified MAR 2021 – FEB 2022 LKA

Great Place to Work Certified™ 2021 - 2022

Recognised as the 'Fastest growing finance Company award in Sri Lanka'

Great Place to Work certification

Achieving PBT over

Rs. 250 Million

Reaching total portfolio of

Rs. 9 Billion

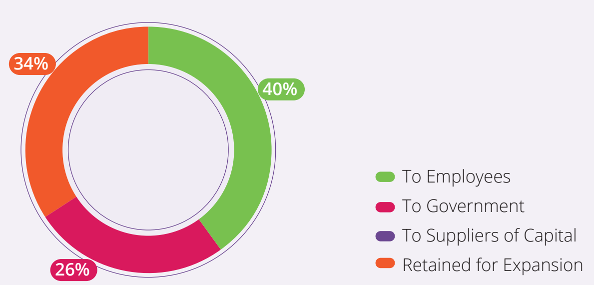
FINANCIAL HIGHLIGHTS

	2021	2020	%	2019
	Rs.'000	Rs.'000		Rs.'000
Results for the year				
Gross income	**1,625,409**	1,970,881	-18%	1,649,056
Interest income	**1,549,448**	1,892,153	-18%	1,580,105
Interest expenses	**510,691**	772,623	-34%	675,008
Charge for the impairment	**236,407**	612,166	-61%	225,661
Overhead cost	**541,992**	493,619	10%	452,390
Profit before tax	**250,795**	30,035	735%	208,054
Profit after tax	**194,315**	32,072	506%	116,333
Financial Position				
Shareholders' fund	**2,234,628**	2,038,810	10%	1,572,078
Deposits from customers	**455,374**	187,012	144%	533,090
Loans and borrowings	**5,830,981**	5,272,609	11%	5,887,238
Lease, Loan Receivables	**8,369,424**	7,201,727	16%	7,868,368
Total Assets	**8,945,412**	7,772,428	15%	8,432,243
Investor Information				
Earnings per share (Rs.)	**1.10**	0.21	420%	0.87
Net assets per share (Rs.)	**12.63**	13.42	-6%	11.73
Financial Indicators				
Return on shareholders' funds (%)	**9.16**	2.1	336%	7.41
Return on average assets (%)	**2.34**	0.5	369%	1.53
Net interest margin (%)	**11.90**	13.7	-13%	12.6
Cost to income ratio (%)	**52.18**	44.09	18%	49.98
Gross non performing loan (%)	**9.80**	21.26	-54%	7.71
Net non performing loan (%)	**3.14**	10.25	-69%	1.96
Statutory Ratio				
Liquidity Ratio				
Core Capital Ratios (%) – Minimum required 6.5%	**21.68**	23	-6	19
Total Risk Weighted Capital Ratio (%) – Minimum required 10.5%	**21.50**	23	-7	19

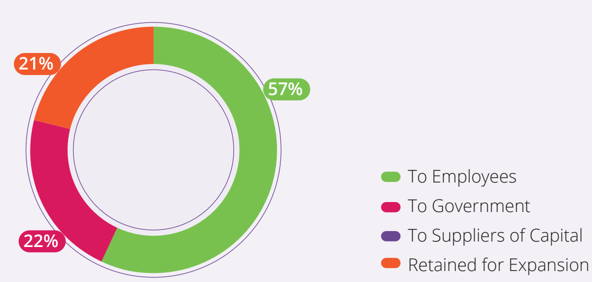
STATEMENT OF VALUE ADDED

Statement of Value Added	2020/21		2019/20	
	Rs.		Rs.	
Value Added				
Interest Income	1,549,447,524		1,892,153,447	
Cost of services	(722,570,840)		(1,013,826,139)	
Value Added by Financial Services	826,876,684		878,327,308	
Other Income	75,961,815		78,727,984	
Impairment Chargers	(236,407,010)		(612,165,906)	
Total	666,431,489		344,889,386	
Distribution of Value Added				
To Employees				
Salaries & Other Benefits	267,021,007		196,260,408	
	267,021,007	40%	196,260,408	57%
To Government				
VAT on Financial Services	85,524,988		62,438,215	
Income Tax	84,547,127		14,649,549	
Other Taxes	-		-	
	170,072,115	26%	77,087,764	22%
To Suppliers of Capital				
Dividends to Shareholders	-	0%	-	0%
Retained for Expansion & Future Growth				
Depreciation	63,090,450		56,155,485	
Deferred Taxation	(28,067,101)		(16,686,191)	
Retained Profit	194,315,018		32,071,920	
	229,338,367	34%	71,541,214	21%
Total	666,431,489	100%	344,889,385	100%

2020/21 %



2019/20 %



OUR LEADERSHIP

CHAIRMAN'S MESSAGE

Dear Shareholders,

It is my pleasure to present the Annual Report of Fintrex Finance Limited for the financial year ended 31st March 2021. The Company performed admirably with focused strategies and the dedicated efforts of the Fintrex team which helped secure business growth whilst maintaining operational stability during unprecedented times.

The Context to Performance

The rapid spread of the COVID-19 pandemic globally and the consequent lockdowns imposed in March 2020 had a negative impact on the Sri Lankan economy far exceeding the drawbacks faced due to the Easter bomb attacks of April 2019. This resulted in a severe contraction in the travel and tourism-related ecosystem. The agriculture sector also faced a downturn recording a contraction of 2.4%. The services sector experienced some resilience, mainly due to many services being declared as 'essential' by the authorities, enabling work to continue during the curfew and lockdown periods. As a result, Sri Lanka's economy contracted by 3.6% in 2020 reflecting the broad-based implications of the pandemic and decelerations across key economic sub-sectors.

With the slowdown in local economic activity, the unemployment rate in the semi and unskilled classes of the workforce increased during 2020. The overall slowdown in global economic activity impacted foreign employment departures which recorded a drop of 53,713 compared to 203,087 in 2019. Thus, unemployment reached 5.5% in 2020 compared to 4.8% in 2019.

Remedial actions by the authorities to manage the downturn of the economy such as the ban on motor vehicle imports impacted Fintrex's business objectives during the year under review. Furthermore, the cascading effects from the economic decline such as the depreciation of the Sri Lankan Rupee against the US Dollar, limited access to foreign financing, and the declining consumer spending together with the downgrading of Sri Lanka's sovereign rating by external credit rating agencies impacted investor sentiment and business confidence. The Company remained resilient despite these challenges. The proactive directives issued by the Central Bank of Sri Lanka (CBSL) to Non – Bank Financial Institutions (NBFI) sector helped infuse stability. The lowering of the Statutory Reserve Ratio helped reduce interest rates which proved to be beneficial for the business sector.

Having embraced a dynamic business model adaptable to external realities, our endeavors to strengthen the Company's technological platform to enrich customer experience will enable value creation for all our stakeholders.

Resilient Performance

Subsequent to the acquisition of Melsta Regal Finance Limited from Melstacorp PLC in 2018 the company was rebranded and named Fintrex Finance Ltd. "Fintrex", crafted by a combination of the words 'financial entrepreneurs' and 'experts' reflects the Company's potential to create value across a multitude of stakeholder groups. Since then, Fintrex has moved ahead with a well-structured transformation process culminating in enhancing the corporate governance structure whilst infusing an innovative and agile culture to pursue growth opportunities. The Company focussed on bringing together a team of well-experienced professionals to guide and implement the vision, mission, and strategic plans of the Company.

The Company's change of ownership from one trusted business conglomerate to Bluestone 1 Pvt Ltd whose investors are a consortium of respected business entities comprising Fairfax Holdings from

Canada, MAS Holdings, Hirdaramani Group and Bluestone Capital paved the way towards a smooth transition.

Having embraced a dynamic business model adaptable to external realities, our endeavors to strengthen the Company's technological platform to enrich customer experience will enable value creation for all our stakeholders. This differentiating factor proved beneficial for the Company in the year under review with the pandemic digitalising many aspects of business activities. Our approach to leverage on our digital competencies supported by a strategically placed brick and mortar branch network has positioned us to create a sustainable competitive advantage in a rapidly evolving dynamic business setting.

I am happy to report that over the past year we have witnessed a strong resurgence in our operating performance. I credit the success achieved by the Company during this period to the selection of the appropriate systems and processes as well as the agility and proactive outlook of the management team, enabling them to adapt to the changing external environment.

Considering the upheavals experienced, I am pleased that the Company remained on track to achieve planned business objectives. Despite the volatile external operating environment, Fintrex recorded a 506% growth in profit after tax, while customer deposits increased by 114%. Our focussed recovery efforts helped the Company manage its Non-Performing Loans (NPL) ratio at 9.8% compared to the industry NPL of 11.3%.

Maintaining our stance of technology adoption, Fintrex Board has embarked on an investment of over LKR 100 Mn on a new core banking system to facilitate superior effectiveness and efficiency across all our operations. This project is currently in the implementation stage and will be completed by mid-2022.

Ensuring Compliance

A key indicator of success for Fintrex is the management of core capital requirements as required by the highly regulated NBFI sector. Our main shareholder, Bluestone 1 has ensured that the core capital requirements have been met well in advance. It is my pleasure to report that as of the end of the financial year under review, Fintrex has complied with all regulatory requirements stipulated by the CBSL enabling the Company to be ranked as a 'Category A' finance company.

Maintaining Ethical Governance Practices

Retaining our focus on fulfilling our fiduciary responsibilities to shareholders, employees and the regulator, we remain deeply committed to improving the quality of governance and ensuring effective risk management practices for the benefit of all stakeholders. These efforts are being undertaken towards building a more transparent, more agile and more customer-friendly Company. We have therefore embraced all corporate governance practices with all relevant Board Committees as per regulations

Future Outlook

The Company hopes to navigate itself through the pandemic induced emerging business realties whilst focusing on new business opportunities to drive exponential growth to achieve our long term goal to be among the Top 5 Finance Companies of Sri Lanka. We are optimistic of the future and are well positioned to seize business opportunities that will arise from the post-pandemic economic recovery.

The Company will continue to drive digitalisation initiatives leading towards fulfilling customer expectations and evolving needs. Plans are underway to strategically partner with like-minded Fintech companies to obtain the requisite technical expertise and derive competitive advantages.

The Company expects changes in the market space post-pandemic. With the SME, self-employed, and low-income wage earner segments having been adversely affected by the pandemic, Fintrex will work towards facilitating their recovery by providing inclusive financial solutions. As one of the leading financial institutions in the country, we strongly believe in supporting local entrepreneurs towards achieving their vision.

A Note of Appreciation

I take this opportunity to thank the Fintrex Team led by the CEO for their unwavering commitment and dedication demonstrated during this extraordinary phase whilst delivering on the Company's objectives by contributing towards positive financial performance. I would like to place on record my sincere appreciation to the customers of Fintrex who demonstrated their continued trust and confidence in us. I wish to thank my fellow Board members for their wise counsel and wisdom in guiding the Company towards success.

My appreciation goes out to the Governor of the Central Bank of Sri Lanka, and Non-Bank Supervision Department for their support and the timely implementation of regulatory reforms and assistance to the sector.

(Sgd.)
Ajit Gunewardene
Chairman

REVIEW BY GENERAL MANAGER/ CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

Fintrex Finance Limited navigated its way through one of the most unprecedented challenges of recent times to deliver a resilient performance for the year under review. Our top-most priority was to maintain business continuity whilst ensuring the health and safety of all our employees, customers, and stakeholders.

Strategic Transformation Process

The Company's strategic blueprint was developed over a 3-year planning horizon covering the financial years 2020/21 to 2022/23. This strategic plan was aligned to the dynamics of the operating environment projecting an aggressive growth outlook. However, the multitude of challenges emanating from the external operating environment, especially the adverse impacts of the Easter Sunday terror attacks in 2019 and the current global COVID-19 pandemic has impacted business growth prospects and expansion plans. Resultantly, the Company has adopted measures to navigate through these impacts while re-assessing its strategic plan to align within the current external environmental conditions.

Managing Operations Amidst the Pandemic

The year under review was challenging on multiple fronts. With the pandemic and the consequent lockdowns, the Company faced two challenges – maintaining business continuity whilst ensuring the health and wellbeing of our employees.

The Company's digitalisation efforts which were initiated well ahead of the pandemic along with the fast pace of technology adoption enabled our customers to pivot to digital platforms. Our employees transitioned smoothly to Work from Home arrangement thereby enabling minimal disruption to business activities. Furthermore, as Fintrex came under the umbrella of 'essential services', some of our branches were open for business with limited staff ensuring all health and safety measures enabling our customers to visit our branches for their business needs.

Fintrex Finance Limited concluded the financial year 2020/21 with a pretax profit of Rs.250.8Mn and a profit after tax of Rs.195.8Mn, representing a growth of 735 % and 422% respectively compared to the previous financial year.

The Company took steps to offer customers who were directly affected by the pandemic with payment moratoriums on loan repayments as mandated by the CBSL. Nearly one-third of our customers opted for this option and the Company ensured that these concessions were offered to all customers who applied for same. At the same time a certain portion of our clientele requested for rescheduling and early settlement of facilities. This was encouraged by removing additional levies. We adopted a stakeholder approach in responding to the unique requirements brought about by the pandemic.

The Company's operations in the pandemic environment were possible only due to the well-defined and documented Business Continuity Plan (BCP) in place. The BCP was enacted during the year under review, which enabled the Company to continue business operations with uninterrupted customer service.

Delivering a Stable and Resilient Performance

Despite the business challenges faced in the financial year 2020/21 the Company demonstrated a resilient and noteworthy financial performance. The Company's lending book achieved a significant growth of 35% despite the movement restrictions imposed to curb the spread of the COVID-19 pandemic outbreak. However, the lower margin coupled with the low-interest-rate environment coupled with the moratoriums granted as per the CBSL directive, resulted in an 18% reduction in the Company's gross income for the year under review. Despite these factors the Company achieved a phenomenal growth of 735% in profit before tax mainly attributable to improved recoveries, reduction in interest expenses and the cost rationalisation initiatives introduced.

Fintrex Finance Limited concluded the financial year 2020/21 with a pretax profit of Rs.250.8Mn and a profit after tax of Rs.195.8Mn, representing a growth of 735% and 422% respectively compared to the previous financial year. The Company achieved a ROA and ROE at 3% and 9.2%, respectively. The Company maintained a Capital Adequacy Ratio of 21.68% and a Liquid Assets Ratio of above 400% which are well above the CBSL stipulated benchmarks, demonstrating the strong financial strength of the Company.

Key Initiatives During the Year

- **Digitalising Internal Processes**

  The pandemic gave us an opportunity to look inwards and critically examine our existing processes. The meeting modalities of the Company transitioned seamlessly to virtual platforms and generated cost efficiencies and productivity enhancement. Many other internal processes such as the litigation management system, performance management and IT issue management systems were automated. We also streamlined the credit approval process by introducing a paperless workflow system. We hope to further digitalise our operations to remove bottlenecks and delays to enhance the overall customer experience by introducing speedy and efficient processes. The Company also set up an automated management information system and implemented digital dashboards for more effective decision-making purposes.

- **Branch Refurbishments**

  Our aggressive branch expansion plan which was ratified by the CBSL was not pursued considering the reduction in economic activity during the year under review, Fintrex made a strategic decision to postpone new branch openings. However, aligned with our strategic intent of offering superior customer service levels we refurbished our branch network. We relocated the Kiribathgoda Branch to a spacious convenient location, which augmented brand visibility whilst creating convenience for our customers.

- **Enhanced Customer Services**

  As a customer-centric organisation, Fintrex remained committed to providing a seamless service during the pandemic. To enhance brand awareness and focus on customer service we organised several brand building initiatives in the month of October, 2020 to culminate with the Customer Service Day which falls in October. We organised an Art Competition for the children of our customers which helped build goodwill with our customers. Customer service endorsements by several clients were featured in our Facebook page to create awareness and build social media presence.

  We fast-tracked our internal process digitalisation implementations to offer superlative customer services. Considering the need for digital payment solutions, we partnered with leading banks, supermarkets as well as eZ Cash expanding our payment touchpoints for convenient settlement of their dues.

- **Product Development**

  During the year under review, the Company focused our efforts on improving our products and services. Thus, we reviewed and identified non-value adding activities and streamlined processes to make lease applications more efficient and effective. We also successfully rebranded our leasing product to' EASY LEASING' launching a simplified and speedy lease facility with approval within 1 day and granting of delivery a few hours and the vendor payment also released in 48 hours.

  The Company revamped its flagship trade finance product which is aimed at supporting importers and exporters. We ensured that the client is able to release the goods from the port seamlessly without incurring demurrages. Our pledge facility was also upgraded in partnership with a leading logistics provider. I am sure that this product will be a great assistance for the import and export trade segment of the economy.

  The Company is nearing the completion of the development of gold loan product which will be launched towards the end of the forthcoming financial year.

- **CSR Activities**

  The CSR activities that were planned were not conducted due to the movement restrictions. However, we partnered with the Ministry of Health in introducing a series of health and safety messages to the general public by financing hoardings at 20 strategic locations. These messages have been well received and lauded by the public.

REVIEW BY GENERAL MANAGER/ CHIEF EXECUTIVE OFFICER

Way Forward

The year under review brought to the forefront the inherent benefits of digitalisation and the need to harness the benefits of technology in an ever-changing operating environment. Thus, we plan to keep the momentum in our digitalisation journey by accelerating and moving ahead with the digitalisation of internal processes, customer-interactive services, and other business operations for a technology-driven future. We are currently in the process of finalising our mobile App and internet banking services that we plan to launch in the forthcoming financial year. Digitalisation of the credit approval workflow is another area which is being developed at present. Furthermore, the automation of the credit approval workflow will also contribute towards the Company's sustainability agenda by enabling us to reduce paper usage by more than 50%.

Considering current consumer and market trends, the Company hopes to pursue green lending by introducing green financing products and services. We are presently in the process of launching a new product to cater to the needs of the organic fertilizer manufacturers in the country.

Our philanthropic CSR activities by giving back to the nation and the communities that we serve, will continue to play an important role in the future. While many of our corporate social responsibility initiatives revolved around pandemic-related awareness efforts, we will continue to build and expand our initiatives to encompass more inclusive and salient social issues in the future.

We are cognisant of the fact the country is facing an economic downturn mainly driven by the pandemic. However, we are optimistic that with the vaccination drive gaining momentum the economy will rebound from the current downturn experienced. We also remain positive that a post-pandemic environment will create new opportunities for the Company which will help the company to enhance its growth momentum while creating value for all our stakeholders. The pandemic has been the catalyst for change in customer behaviour and we will use this as an opportunity to create innovative ways of engaging and delivering value to our stakeholders.

A Note of Gratitude

I take this opportunity to express my sincere appreciation to the Chairman and Board of Directors for their stewardship and guidance in navigating through exceptionally challenging times. I extend a warm thank you to the Fintrex Team who rose above all challenges to take the Company forward providing an uninterrupted service to our customers. The senior leadership team remained focused on executing our business strategies and achieving corporate goals resulting in the successful performance of Fintrex in a turbulent year. I consider myself privileged to lead a dynamic team reach greater heights and prosper as opportunities emerge.

I thank our customers for the confidence and trust placed in Fintrex Finance. I am also grateful for the unwavering support and confidence of the Company's shareholders whose steadfast and confident of the long-term business strategy and expected growth potential. I wish to extend a thank you to our bankers for their continued trust in Fintrex Finance. I extend my sincere appreciation to the Governor and the Non – Bank Supervision Department of the CBSL for their valued guidance during the year. I wish to mention my appreciation to our external auditors, KPMG, for their valuable inputs and timely completion of the audit. I would like to thank all our business partners and other stakeholders for their support and dedication during this challenging period.

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

BOARD OF DIRECTORS

AJIT GUNEWARDENE
Chairman

RONNIE PEIRIS
Non-Independent
Non-Executive Director

SHANTANU NAGPAL
Non-Independent
Non-Executive Director

MAHENDRA GALGAMUWA
Independent
Non-Executive Director

SHIVAN J D COOREY
Independent
Non-Executive Director

KEITH D BERNARD
Independent
Non-Executive Director

BOARD OF DIRECTORS

SHIVANTHI ATUKORALE
Independent
Non-Executive Director

AHAMED SABRY IBRAHIM
Independent
Non-Executive Director

SHRIHAN B. PERERA
Independent
Non-Executive Director

K. SIVASKANTHARAJAH
Independent
Non-Executive Director

NILAM JAYASINGHE
Independent
Non-Executive Director

AJIT GUNEWARDENE

Chairman

Ajit Gunewardene is the Founder & CEO of Bluestone Capital Private Limited.

He was the Deputy Chairman of John Keells Holdings PLC and was a member of the Board for over 24 years. In addition to this he was the Chairman of Union Assurance PLC a leading life insurance provider in Sri Lanka and Nations Trust Bank.

He is currently the Founder Chairman of Digital Mobility Solutions- the leading ride hailing service provider (Pick Me) in the Country. He is also the Chairman of Ingame Entertainment Ltd which is a pioneer in esports in Sri Lanka.

He is a member of the Council of the University of Colombo. He has also served as the Chairman of the Colombo Stock Exchange and a member of the Board of the BOI.

Mr. Gunewardene has a degree in Economics and brings over 35 years of management experience.

MAHENDRA GALGAMUWA

Senior Independent Director

(will be resigned w.e.f. 30.09.2021)

Mr. Galgamuwa possesses over 40 years of banking experience, having held several senior managerial positions, specialising in Treasury and Merchant Banking functions. He also has wide overseas experience in Treasury Management and Treasury Audits in several international markets including U.A.E., Bahrain, London, India and Pakistan.

Mr. Galgamuwa has previously held the positions as Country Treasurer and Head of Merchant Banking (ANZ Grindlays Bank, Sri Lanka), Group Treasurer (ANZ Bank, U.A.E.), Head of Treasury (Mashreq Bank - Colombo Branch), Head of Treasury (Nations Trust Bank) and Head of Treasury and CEO (National Wealth Corporation) and as the Consultant Treasurer of the Ceylon Petroleum Corporation . He also served as the General Manager/ CEO of the Sanasa Development Bank.

He has also been a director of Shell Gas Lanka Ltd, and The Finance Company Ltd.

RONNIE PEIRIS

Non-Independent Non-Executive Director

Mr Peiris was, till end December 2017, an Executive Director on the Board of John Keells Holdings PLC (JKH) and was its Group Finance Director. He was also a Director in several Listed and Non-Listed Companies involved in Leisure/Hoteliering, Food and Beverage Manufacturing/ Retailing, Financial Services including Banks, Insurance and Brokering, Property Development/Real Estate, Information Technology, Plantations/Plantation Services and Transportations, Logistics and Ports.

He was, prior to JKH, the Managing Director, Anglo American Corporation (Central Africa) Limited, a subsidiary of Anglo American Plc, a company listed on the UK Stock Exchange.

Mr Peiris has, over 49 years of Finance and General Management experience with, more than 46 of them at Senior Management level, in Sri Lanka, Zambia, Zimbabwe and South Africa.

Mr Peiris was an active member of the Ceylon Chamber of Commerce (CCC) during the period 2004 to 2017 and was the Chairman of its Taxation Sub Committee for several years. He is a Past President of the Sri Lanka Institute of Directors and was also recognised by the Chartered Institute of Management Accountants, Sri Lanka, as its Business Icon of 2014.

In addition to holding a Masters in Business Administration (MBA) from the University of Cape Town, South Africa with specialisation in Marketing and Human Resource Management, Mr Peiris is a Fellow of the Chartered Institute of Management Accountants, (FCMA), UK, a Fellow of the Chartered Association of Certified Accountants (FCCA), Scotland, a Fellow Member of the Society of Certified Management Accountants (FSCMA), Sri Lanka and a Fellow of the Zambia Institute of Certified Accountants, (FZICA), Zambia. Mr Peiris has successfully concluded a course on "Transformative Coaching; A Revolutionary Approach to Enable Change" at Classroom Learning conducted by the Coach Masters Academy, Singapore. He has been, and is now, a Coach/Mentor to many since his formal retirement from JKH. He is, also, consulting on strategic issues at many prominent organisations.

He has been, and is, a presenter of Papers on various topics at Workshops, Seminars and other forum and authored "Tough Journey Great Destination" – a behavioural guide for Professionals and Leaders.

SHANTANU NAGPAL

Non-Independent Non-Executive Director

Mr Nagpal is a Co-Founder of Bluestone. Mr Nagpal worked in asset management and equity research for 20 years, in Hong Kong and London before he moved to Sri Lanka. He has worked as portfolio manager for UBS Asset Management, Ellerston Asset Management and Brevan Howard Asset Management.

He holds a Bachelor's degree in Philosophy, Politics and Economics from Oxford University where he was a Chevening Scholar, and an MBA with Distinction from INSEAD where he was a Misys Scholar. Mr Nagpal started his career at the Tata Administrative Service, where he worked with several CEOs of various Tata Group companies on strategic projects.

Mr Nagpal started working in UBS Hong Kong in 1995 in the equity research department and was responsible for three sectors where he covered the automobile, metal and shipping sectors in the region.

BOARD OF DIRECTORS

Mr Nagpal's move to asset management that took place in London, where he moved to UBS Asset Management, O'Connor, and was subsequently posted to Hong Kong where, as Portfolio Manager, he covered Japan, China, Hong Kong, India and the sub-continent.

In 2011 Mr Nagpal moved to Sri Lanka with his family and joined the Expolanka Group, specifically to restructure their holdings and find an exit for the largest shareholders, which, after a 2 year restructure, culminated in a strategic sale of the Company to Sagawa, Japan

KEITH BERNARD

Independent
Non-Executive Director
(Will be resigned w.e.f 30.09.2021)

Keith Bernard counts over 30-years of experience at CEO and senior management level in diverse sectors encompassing Packaging, Plantations, Finance, Sports & Leisure, Apparel, Telecommunications, Health, Media, Produce Exporting etc., in the corporate sector. At present is the CEO of a Public Listed Company in the packaging industry. In the Not-for-profit sector he held senior management positions in an USAID funded private sector development project and served as the Director General of the Sri Lanka Press Institute. His experience in the public sector covers over a one-year period as Managing Director of the State-owned composite insurer, Sri Lanka Insurance Corporation Limited, during which time the company held the number one position in the General Insurance sector. For a brief period, he served as the Working Director of the Road Development Authority and a board member and Chairman of its related entities. He also served as a member of the Cabinet appointed Expert Panel of the Ministry of Public Enterprise Development, with the responsibility to advise and assist in providing oversight management of State-Owned Enterprises that included the State-owned Banks, Sri Lanka Insurance Corporation, Sri Lankan Airlines etc. He has also advised and consulted for the Financial Services and Telecom sectors in strategy, business alignment and objective setting.

Keith is Chief Financial Advisor to a group of companies with interests in the health and sports and entertainment sectors. He is a consultant with the US based International Executive Service Corps (IESC) to promote and facilitate long-term loans by the Development Finance Corporation of the USA.

He has held Board positions of Sri Lanka Insurance Corporation Limited, Lanka Hospitals PLC and Lanka Hospitals Diagnostic Limited, Capital Alliance Investments Limited, Lanka Salt Limited, Road Development Authority, and chairs/chaired several board sub committees such as Audit, Related Party Transactions, Remuneration, Nominations etc. At present, he is an independent director of Fintrex Finance Limited.

Keith has served as a council member of the Chartered Institute of Management Accountants (CIMA) Sri Lanka Division. He was a joint adjudicator of the "Business Today - Top 10" Awards.

He is a Fellow of the Chartered Institute of Management Accountants (UK) and the Chartered Global Management Accountants. He is also a Member of the Chartered Institute of Marketing (UK) and has an MBA from the Aberdeen Business School, Robert Gordon University of Aberdeen and a Master of Economics (MA) from the University of Colombo.

SHIVANTHI ATUKORALE

Independent
Non-Executive Director
(Will be resigned w.e.f. 30.09.2021)

Ms. Atukorale possesses over 25 years' experience in the financial services industry, in both Banking and Non-Banking Financial Institutions, covering Large Local Corporates, Multi-national Companies and SME sectors.

Previously, Ms. Atukorale, functioned as General Manager, Operations & Investor Relations, Melstacorp Limited, and prior to that a 16 year career at Citibank N.A. Colombo, Sri Lanka. At Citibank N.A, Colombo, she held titles of Head-Private Banking and Corporate Liabilities Group and Head-Global Relationship Banking, and was a member of the Country Co-ordinating Committee (CCC) and the Branch Credit Committee (BCC). She developed expertise in all spheres of Corporate Banking, Cash Management, Trade and Treasury products including structuring Corporate Finance transactions within the Corporate Banking Group. Structured and Lead Managed syndicated loan transactions to both the Public and Local Corporate sectors, whilst negotiating structuring and ensuring legal compliance of risk defeasance structures with overseas counterparts. Vast experience in structuring transactions with Product/Industry Specialists, Credit Seniors and Business Heads in the Cluster and Region across diverse cultures. She possesses extensive experience in Credit & Risk Management, Recoveries with strong credit skills.

Ms. Atukorale holds a BSc (Hons) degree in Statistics, Computing, Operational Research and Economics from University College London (UK) and a Master in Business Administration from Imperial College London (UK). She is also a Director of Melsta Tower (Pvt) Ltd, a 100% owned subsidiary of Melstacorp Limited.

SHIVAN J D COOREY

Independent
Non-Executive Director
(Will be resigned w.e.f. 30.09.2021)

Mr. Coorey is an Attorney-at-Law by profession and holds a LLB from the University of Luton (UK) and a LLM in the field of Commercial Law from the University of Colombo. He has an extensive practice in the Original Courts as well as in the Appellate Courts. Mr. Coorey has specialised in Commercial Law, Intellectual Property

Law, Telecommunication Law and Banking Law. He is a legal consultant to many listed companies. He has also served as a member of the Executive Committee of the Bar Association of Sri Lanka.

AHAMED SABRY IBRAHIM

Independent
Non-Executive Director
(w.e.f. 14th June 2021)

Mr. Ahamed Sabry Ibrahim was appointed as a Director at Fintrex Finance Ltd with effect from 14th June 2021.

Prior to appointment of Director at Fintrex he was Chief Executive Officer/General Manager at Peoples Leasing and Finance PLC.

Mr. Ibrahim has over 37 years of banking experience, primarily in the areas of corporate banking, treasury management and risk management and has held very senior positions both locally and internationally including Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and Senior Deputy General Manager, Risk Management (August 2007 to October 2014) of People's Bank, Deputy General Manager, Head of Treasury, Head of Corporate Banking and Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007) and Head of Credit and GSAM, Standard Chartered Bank (2002 to 2004).

Mr. Ibrahim has also been a Director of HNB Securities Ltd. (2005 to 2007) and People's Merchant Bank PLC (2009 to 2011). In addition he held the positions of Director of People's Insurance PLC, People's Micro-commerce Ltd., People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited, and Lankan Alliance Finance Limited.

He holds an Honours Degree (B.Sc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB).

SHRIHAN B. PERERA

Independent
Non-Executive Director
(w.e.f 17th July 2021)

Mr. Perera holds B.Sc. Mechanical Engineering (Honors) degree from University of Moratuwa and also Fellow Member of the Chartered Institute of Management Accountants/CGMA, UK.

Mr. Perera was named CEO of Teejay Group in May 2018. With a decade of experience in the apparel industry, Shrihan started his career as a Management trainee at Dankotuwa Porcelain. He has served in Al Mulla Group in Kuwait followed by 13-year tenure at Unilever Sri Lanka, before joining Brandix Apparel Solutions as CEO of its Intimate Apparel Division in 2010.

At present, he is an Independent Director of Teejay Lanka Prints Pvt Limited, Teejay India Pvt Limited and Ocean Mauritius Limited (Teejay India holding Company)

Mr. Perera has counts many years of experience as CEO and senior management level in diverse sectors encompassing Apparel, Fast Moving Consumer Goods, Porcelain and Service Industry in the corporate sector.

K. SIVASKANTHARAJAH

Independent
Non-Executive Director
(Will be appointed w.e.f. 01.10.2021)

K. Sivaskantharajah, is an Attorney-at-Law, Solicitor, (England and Wales) having been admitted to the Bar in October 1981 and has over 40 years of professional experience and is well versed in the field of litigation, commercial law, conveyancing, and company secretarial practice.

He held the position of Head of Legal (Litigation) at a conglomerate Company from 1993 to 2017, and also served as a Senior – Legal position at a leading Finance Company for over 9 years.

NILAM JAYASINGHE

Independent
Non-Executive Director
(Will be appointed w.e.f. 01.10.2021)

Mr Nilam Jayasinghe will be appointed as a Director of Fintrex Finance Ltd with effect from 01st October 2021.

He is presently an Independent Consultant and he was Group Director Finance of the CBL Group (Ceylon Biscuits) and an Executive Director of CBL Investments Limited the Holding Company and certain subsidiaries from 2012 until his retirement in July 2021.

Mr Jayasinghe possesses over 35 years of experience in the areas of General Management, Finance & Planning, Corporate Finance, Banking, Treasury, Risk and Audit and Compliance in excess of 35 years. Prior to joining CBL, he was Vice President, NDB Bank for sixteen years and also served on the Boards of subsidiary companies of the NDB Group. He was the Group Treasurer of the Aitken Spence Group and a Director of Aitken Spence Corporate Finance Ltd and was responsible in introducing the Corporate Treasury concept in Sri Lanka and certain financial instruments. Prior to this, he was Finance and Commercial Manager of Lanka Tiles PLC when the company was originally set up. He is an alumnus of KPMG.

Mr Jayasinghe is a Fellow of the Chartered Institute of Management Accountants UK, a Past President of CIMA Sri Lanka Division and served on the Global Board of CIMA UK and was the Vice Chair of the Global Markets Committee.

He was a past Chairman of the Industrial Association of Sri Lanka affiliated to the Ceylon Chamber and has served on the Main Committee of the Ceylon Chamber of Commerce, the Company Law Reforms Commission, and on the Board of the Sri Lanka Accounting and Auditing Standards Monitoring Board. In 2019, he served as an Independent Director, Bank of Ceylon and chaired it's Audit Committee.

CORPORATE MANAGEMENT

JAYATHILAKE BANDARA
General Manager/ Chief Executive Officer

SAJEEWA SAPUKOTANA
Chief Operating Officer

DINEKA WITHANACHCHI
Chief Financial Officer

NISHANTHA HETTIARACHCHI
Chief Information Officer

SAMANTHA WERAGODA
Head of Recoveries

SANJEEWA BUWANAKABAHU
Head of Human Resources & Administration

HIRANTHA PERERA
Head of Legal

NANDA BANDARA
Chief Internal Auditor

JAYATHILAKE BANDARA

General Manager/Chief Executive Officer

Mr Jayathilake Bandara is one of the most respected professionals in the Banking and Finance industry. He possesses over 31 years' worth of extensive experience in SME banking, factoring, leasing and hire purchase and other areas of banking. He commenced his banking career at Seylan Bank PLC in 1989. Later he later joined Emirates Bank International PJSC, Dubai, UAE in 1998, as Officer Credit Administration. Working his way up the legendary ladder in his banking career, he joined Nations Trust Bank (NTB) as the Branch Manager – Kurunegala and progressed his way to the position of Deputy General Manager - SME Banking.

At the time of leaving NTB he was designated as Senior Executive Vice President Commercial Banking, Member of the Corporate Management and several other management and Board committees. He is a results-oriented professional with a strong analytical capability to understand business drivers and implement appropriate business and marketing strategies to create unparalleled value delivery to ensure sustainable stakeholder value. Bandara's valued contribution is considered noteworthy in the progressive journey of Nations Trust Bank.

Mr Bandara holds an MBA from American City University, Wyoming, USA. He is a diploma holder in Financial Management from Wigan and Leigh College, UK and holds Banking qualifications from Institute of Bankers of Sri Lanka. A strong believer of Training and Development he was exposed to some of the renowned leadership and strategic management training programs both locally and internationally.

SAJEEWA SAPUKOTANA

Chief Operating Officer

Mr. Sajeewa Sapukotana counts over 26 years of hands-on experience in the finance industry. His professional experience covers senior positions served in The Finance PLC, Commercial Credit and Finance PLC, and Vallibel Finance PLC. He has a varied experience and he has contributed to projects such as real estate, property development, micro finance, consumer durables, term loans, mainly concentrating on fixed deposits, hire purchase and leasing, etc.

Mr. Sapukotana holds an MBA from the University of Cardiff Metropolitan, UK. He obtained a Diploma in Marketing from the Sri Lanka Institute of Marketing. He is an Associate Member of the Chartered Institute of Marketing (CIM) and a Certified Member of Sri Lanka Institute of Marketing (CMSLIM).

His passion to inspire, ignite & lead teams through innovation and creativity has resulted in valued contributions across his progressive career. He was instrumental in leading the business development team to work towards placed the Vallibel brand in the industry. He was responsible for leading the team towards a high performance-driven culture, strategic & business planning, corporate governance & compliance, market evaluation and commercializing of business units, development and marketing of products to gain increased market share, credit & risk management and developing people etc.

DINEKA WITHANACHCHI

Chief Finance Officer

Ms. Dineka Withanachchi has over nineteen years of experience in the financial services sector of which includes ten years in corporate management. She has gained diverse experience in the field of strategic planning, financial management, risk management, IFRS implementation, project management and process development. Further, she has gained hands-on experience in designing & implementation of Core Leasing, Deposits & Factoring systems and Oracle ERP Solution implementations.

Dineka completed her articles at KPMG, which expanded her experience to a wide spectrum of industries including listed and multinational companies operating in the fields of banking, finance, construction, manufacturing, hotels, and retailing. In 2005, she joined Commercial Leasing & Finance Ltd where she progressed her way up to be the Chief Manager and was subsequently seconded to the LOLC group.

She holds an MBA in Finance from the University of Colombo & a BSc. in Accountancy (Sp.) degree from the University of Sri Jayewardenepura. Dineka is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka as well as the Institute of Certified Management Accountants of Sri Lanka.

NISHANTHA HETTIARACHCHI

Chief Information Officer

Mr Nishantha Hettiarachchi has over twenty one years of experience in the Information Technology field in the financial services sector. His tenure includes ten years in Corporate Management. He has a vast experience in Managing IT environment by being a Team Leader, Project Manager, Programme Manager for many end-to-end IT projects. He is an expert in the Core Banking Transformation for successful implementation and has provided leadership to several core banking implementation projects.

He achieved a progressive career for his dedication and seamless commitment in his tenure at NDB for twenty years. He Joined NDB Bank as an executive and was promoted to Assistant Vice President-IT (AVP/ IT). He held the position of Head of Software Support, Development, and Quality Assurance. In addition, he has work experience in a multi-national environment serving for an overseas bank in Nigeria as a core banking implementation consultant.

Mr. Hettiarachchi possesses MSc in IT from the University of Colombo, BSc

CORPORATE MANAGEMENT

(Hons) in Industrial Management from the University of Kelaniya and a Diploma in Business Administration from ICFAI University in India. He is a member of the British Computer Society (BCS).

SAMANTHA WERAGODA

Head of Recoveries

Mr. Samantha Weragoda has over 15 years of diverse work experience in the leasing industry which includes branch operation, deposit mobilization, and leasing. A results-driven professional with progressive management experience he possesses diverse skills in developing and executing targeted business initiatives that drive customer growth, achieve sales objectives and enhance bottom-line profits. He is regarded as a highly effective communicator and team leader with proven ability to build long-term relationships with internal and external customers by establishing a high level of confidence and trust.

He has had a progressive career at Central Finance and served there for 15 years in several capacities. He has been a Senior Manager - Credit and also he has been a valued contributor in strategic teams being represented in developing and streamlining business processes to escalate the service quality and efficiency. Mr. Weragoda holds a BSc. in General Science degree from the University of Peradeneiya. Currently, he is reading for an MBA at the Postgraduate Institute of Management, University of Sri Jayewardenepura.

SANJEEWA BUWANAKABAHU

Head of Human Resources & Administration

Mr. Sanjeewa Buwanakabahu counts over 14 years of hands-on experience in banking & finance, manufacturing, and services sector industries. He possesses experience during his career as a strategic HR Business Partner to the business served for People's Bank, Modern Pack Lanka (Pvt) Ltd, CBL Foods International (Pvt) Ltd, Siyapatha Finance PLC, and Renuka Group of Companies while contributing for planning and execution of projects to ensure availability of right talents, creating a working environment where people feel happy and safe targeting a performance-driven culture with a highly engaged and productive workforce.

Mr. Buwanakabahu holds an MBA from the University of Colombo and recognized as the Human Resources Management - Gold Medalist. He obtained the BSc. Business Administration (Sp) degree from the University of Sri Jayewardenepura. Further, he is a TPM/ Kaizen, and Lean Practitioner, Advanced 5S Lead Auditor/ Instructor, OHSAHS 18001/ Health & Safety Lead Auditor from IRCA/UK, and a certified Corporate Trainer.

With a passion for Training and Development, Continuous Improvement, and several other disciplines in HR/ General Management, he has been contributing as a visiting lecturer/trainer at the University of Sri Jayewardenepura, University of Kelaniya, and Vocational Training Authority Sri Lanka.

HIRANTHA PERERA

Head of Legal

Mr. Hirantha Perera has over 23 years of experience in the fields of banking, finance, insurance, and compliance, of which fourteen years have been in the legal arena.

He is an expert in civil and criminal litigation, and he was in charge of the LOLC Litigation department which is regarded as one of the largest litigation departments in the banking and finance industry.

He commenced his legal career as a Legal Executive at Ceylinco Insurance PLC and joined Nations Trust Bank as Assistant Manager- Legal where he was groomed to become a professional corporate Lawyer. Then he joined Pan Asia Bank PLC as Manager Legal and Recoveries. Prior to joining Fintrex he served for nine years as the Chief Manager- Legal and Head of Litigation LOLC Holdings PLC involved in developing strategic recoveries.

He was in the management boards of Commercial Leasing and Finance PLC, LOLC Development Finance Ltd, LOLC General Insurance Ltd, and LOLC Life Assurance Ltd, and further he has been the Compliance Officer for both LOLC Insurance Companies.

Hirantha has completed his Bachelor of Laws' degree at the Open University of Sri Lanka and has obtained his Master of Laws' degree from the University of Colombo, He is an Attorney at Law and completed his 'Masters of Business Administration' degree from the University of Wolverhampton – UK. Further he is a qualified Banker and a diploma holder from the Frankfurt School of Finance and Management- Germany on Strategic Leadership.

NANDA BANDARA

Chief Internal Auditor

Mr. Nanda Bandara, is a results-oriented professional, with extensive experience of over 32 years in external auditing, finance, and internal auditing. He headed the Internal Audit and Investigation functions of Nations Trust Bank, DFCC Bank, and Sampath Bank for 17 years previously. He served HNB and KPMG in the early years of his career in progressive roles.

Mr. Bandara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a BSc. in Business Administration from the University of Sri Jayewardenepura. He was a Prize winner in the subjects of Accounting and Economics at the Examinations of the Institute of Bankers of Sri Lanka.

He had a passion for Lecturing and was a visiting lecturer in Accounting at the University of Colombo and another private Academy in Colombo. He was responsible for managing the course on Internal Auditing at the Institute of Bankers of Sri Lanka for many years.

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT

The Context to Performance

Global Context

The decline in the global economic growth rates by 3.3% reflected the deep economic impact of the pandemic. Advanced and emerging markets decelerated by 4.7% and 2.2% respectively. The pandemic caused a significant impact across people, trade, and manufacturing activities globally. Lockdown measures, social distancing, severe human death toll, travel restrictions and rising health and safety concerns, led to the contraction of the global economy. However, the International Monetary Fund, predicts a recovery in global growth to 6% in 2021 and 4.9% in 2022, as vaccinations and treatments subdue the outspread of the virus and policymakers extend additional fiscal support to revive economies.

Successful rollouts of vaccines in many developed economies which can reduce the severity and frequency of infections, coupled with unprecedented fiscal and monetary support will help to support recovery in the short to medium timeline with the IMF projecting global economy to grow by 6% in 2021.

Sri Lankan Context

Sri Lanka's economy contracted by 3.6% in 2020 reflecting the broad-based implications of the pandemic and decelerations across all three economic sub-sectors. The Sri Lankan economy was recovering from the effects of the Easter Sunday attacks when the COVID-19 pandemic hit the country. Accommodative policies and strict measures to prevent the outspread of the virus supported economic recovery over the last two quarters of the year. As a result, economic activity recorded a gradual recovery in the 3rd and 4th quarters of 2020, expanding by 1.3% supported by the decline in interest rates, improving sentiments and businesses adaptation to working under conditions of subdued mobility. However, the sharp surge of infections from May 2021 have muted economic recovery with the imposition of movement restrictions in a bid to curtail the escalation in infections.

Industry activities witnessed a sharp downturn of 6.9% led by a slowdown in construction and manufacturing activities while the services sector contracted by 5% as transportation, other personal services, and accommodation, food and beverage services slowed down. The subdued investor sentiment was reflected in the contraction of investment expenditure during the year. Unemployment rose over 5% as the labour force participation rate came down. The export sector showed resilience with the aid of timely policy measures as the export income reached the pre-pandemic levels. Measures to curtail non-essential imports, together with the significantly low global petroleum prices, helped reduce the import expenditure in 2020, resulting in a notable improvement in the trade deficit

Interest Rates

The Central Bank implemented unprecedented measures to stimulate activity through an accommodative monetary policy, with the Policy and

Statutory Reserve Ratio being reduced multiple times. Resultantly, market interest rates recorded a sustained decline for most part of the year, with the AWPLR decreasing from 9.68% in January 2020 to 5.74% by March 2021.

Exchange Rate

The country's external position faced significant pressure in 2020, triggered by the decline in tourist earnings and outflows from the equity and debt markets. Resultantly, the Rupee faced considerable devaluation, falling by 3.2% in 2020 to end the year at Rs.187.18, before plummeting by a further 3.4% in the first quarter of 2021.

Outlook

According to the International Monetary Fund Sri Lanka's economy is forecasted to grow by 4% in 2021. However, the onset of the third wave in April and the mutations of the virus is likely to have an adverse impact on the forecast due to the resultant disruptions. Government policy will play a key role in the year ahead in many aspects from implementing measures to curtailling the pandemic to fiscal and monetary policies.

Public/Private Sector construction contracts worth roughly Rs. 800-1000 Bn per year are required to successfully sustain the construction industry in Sri Lanka and contribute 10% to GDP. Further, there are numerous projects related to education, health and sports and the construction of the Colombo Port City and the Bandaranaike International Airport which are currently in progress.

The import restrictions, exchange rates, access to vaccines and the duration of the pandemic will be key focus areas that will determine the path to economic recovery .

The performance of the economy in the first quarter of 2021 was affected by the second wave of the pandemic. As the government imposed a full lockdown period for the whole country to prevent the spread of COVID -19 infection, all economic activities contracted except for very few activities.

The Gross Domestic Product for Sri Lanka for the first quarter of 2021 at the constant price has increased up to Rs. 2,393,922 million from Rs. 2,295,432 million which was recorded in the first quarter of 2020. Furthermore, the Gross Domestic Product for Sri Lanka for the first quarter of 2021 at the current price has increased up to Rs. 4,173,783 million from Rs. 3,844,079 million which was recorded in the first quarter of 2020 registering 8.6 percent of change in the current price GDP.

During the first quarter of 2021, the Agriculture and Industrial activities reported considerable growth rates of 6.1 percent and 5.5 percent respectively contributing their share to the GDP. This was owing to the continued operations of all agriculture and industrial related activities throughout the country even during the period of imposed movement restrictions.

The considerable growth level of industrial activities by 5.5 percent is underpinned by the expansion in the manufacturing, construction, mining, and quarrying activities during this quarter. The overall manufacturing industry grew by 6.8 percent during the first quarter of 2021 when compared to the same quarter in the previous year.

However, the Services activities expanded at a moderate rate of 3.0 percent during this quarter, when compared to the same quarter in the year 2020.

Performance of the Financial Services Sector

The financial sector remained stable during the year amidst challenging domestic and global market conditions due to the COVID-19 pandemic. Despite the disruption of many business activities in the challenging backdrop, the banking sector displayed moderate growth in terms of loans and advances, investments, and deposit base though the deterioration in credit quality, sovereign rating downgrades and decreased foreign inflows owing to the pandemic weigh on the banking sector operations.

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector exhibited a stagnant performance during the year mainly due to the COVID-19 related impact and the increasing lack of public confidence in weak LFCs. Hence, during the year the sector witnessed a declining asset base, loans and advances and deposits as well as increasing Non-Performing Loans (NPLs) including declining profitability.

With the prospect of reviving the adversely affected sectors in the economy, the Central Bank introduced several regulatory measures to provide flexibility to Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) to support the businesses and individuals affected by the pandemic. Along with this, the introduction of the Financial Sector Consolidation Master Plan by the Central Bank to avoid further deterioration of the financial position of LFCs supported the stability of the sector while protecting the interest of depositors.

MANAGEMENT DISCUSSION & ANALYSIS

Other sectors within the financial system recorded mixed performance.

The Central Bank continued to support the financial system while facilitating economic activities during the pandemic period by ensuring the availability of liquidity in the money market and introducing several monetary policy relaxation measures in 2020.

Performance of Non-Banking Financial Institutions

Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector

The financial year witnessed the deterioration of the performance of LFCs and SLCs recording a negative growth and high non-performing Loans (NPLs) in the COVID-19 pandemic backdrop. Moreover, this sector was also under pressure by the reduced consumer confidence due to issues observed in the sector. Total assets of the sector stood at Rs. 1,401.6 billion by end-December 2020, representing 5.9 per cent of Sri Lanka's financial system. The funding mix was mainly attributed to deposits while borrowings of the sector declined compared to the previous year. To maintain the stability of the sector, the Central Bank continued to introduce prudential measures while granting regulatory flexibility to support the sector and face the challenges emerging from the COVID-19 pandemic.

Business Expansion Outreach:

At end-2020, the sector comprised 40 LFCs1 and 3 SLCs. There were 1,517 branches and 460 other outlets of the sector, of which 1,001 branches (66.0 per cent) were concentrated outside the Western Province.

Assets:

Assets of the sector contracted, exhibiting a negative growth rate of 2.2 per cent (Rs. 31.0 billion) during the year reaching Rs. 1,401.6 billion compared to the 0.1 per cent growth reported in 2019. Loans and advances accounted for 74.2 per cent of the total assets of the sector. Finance leases accounted for the highest share of loans and advances, representing 53.7 per cent, followed by the secured loans and advances (36.2 per cent). Lending of the sector decelerated considerably during the year as business activities continued to impede amidst the COVID-19 lockdowns and restriction of vehicle imports. Credit provided by the LFCs and SLCs sector contracted by 5.7 per cent (Rs. 62.9 billion) to Rs. 1,039.9 billion compared to the contraction of 3.0 per cent in the corresponding period of 2019.

The investment portfolio recorded a growth of 20.2 per cent to Rs. 158.8 billion in 2020 compared to the growth of 20.5 per cent in 2019, owing to increase in prices of shares, increased investments in unit trusts, debt securities held for trading and government securities maturing in less than 12 months free of lien. Other assets, mainly cash balances with banks and financial institutions and fixed assets, increased by 2.6 per cent during the year.

Liabilities:

Customer deposits which accounted for 53.4 percent dominated the liabilities of the LFCs and SLCs sector. The deposits contracted by 1.1 per cent (Rs. 8.1 billion) to reach Rs.748.6 billion while borrowings recorded a sharp decline of 19.1 per cent (Rs. 77.6 billion) reaching Rs. 328.0 billion during the year.

Profitability:

Net interest income of the sector during the year was Rs. 111.2 billion, a decline of 5.3 per cent (Rs. 6.2 billion) compared to 2019. This was due to the decline in economic activities with the COVID-19 outbreak resulting in a reduction in both interest income and interest expenses. The interest income and interest expenses declined by 12.0 per cent (Rs. 31.3 billion) and 17.6 per cent (Rs. 25.0 billion), respectively. Net interest margin of the sector (net interest income as a percentage of average assets) declined to 7.3 per cent in 2020 from the 7.7 per cent in 2019, due to a decline in the net interest income and a marginal increase in (gross) average assets.

Non-interest income declined by 18.7 per cent (Rs. 7.4 billion), while non-interest expenses declined by 16.4 per cent (Rs. 15.4 billion) during 2020, affecting sector profitability. Non-interest expenses declined mainly due to decreased administrative expenses (Rs. 6.0 billion), loss on valuation/disposal of repossessed items (Rs. 1.9 billion), reduction in staff costs (Rs. 3.3 billion) and other expenses (Rs. 2.2 billion). The loan loss provisions made against NPLs during the year was Rs. 38.2 billion, which was an increase of 26.4 per cent (Rs. 8.0 billion), when compared with the provision made in 2019. The sector posted a profit after tax of Rs. 13.7 billion, a decline of 6.1 per cent compared to the profit recorded in year 2019, mainly due to the significant decline in interest income recorded during the period.

FINANCIAL REVIEW

Fintrex Finance Ltd recorded its highest profitability levels for the year under review, affirming our ability to successfully overcome the challenges in an unprecedented business landscape. The Company focused on cost rationalization and focused on recovery initiatives while improving top line revenue growth by increasing disbursements.

Overview

The first quarter of the financial year 2020/21 commenced with the first wave of the COVID-19 pandemic. During this period, we focused on ensuring business continuity while safeguarding the safety of our employees and customers. In the second quarter we placed emphasis on providing relief to our customers through moratoriums, loans at concessionary rates, rescheduling/restructuring facilities and waiving of default interest in response to the CBSL stipulated guidelines. Business volumes gained traction during the latter part of the third quarter and the fourth quarter creating a gradual pick up of monthly disbursements in March 2021. Increased focus on recoveries and collections across the financial year ensured enabled the Company to record significant profitability levels.

Asset Management- Lending

Portfolio Growth

Despite the disruption to business activities due to pandemic situation and its frequently related quarantine curfews and lockdowns, the financial year was a profitable year for the Company, which was mainly driven by the increased credit demand. The lending book of the Company grew at 35% year-on-year by adding Rs 1,100 Mn to the Balance Sheet.

The Company's endeavour to diversify its portfolio of products during the year led to the introduction of several new product categories. Amongst these the newly introduced hybrid loan product gained popularity amongst our customer base more rapidly than the other product categories securing 22% of our total lending portfolio.

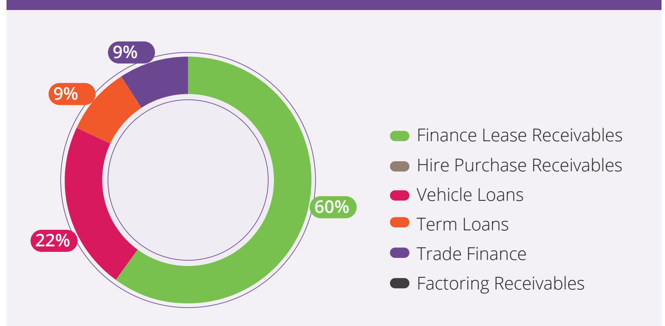
60%
of the portfolio comprise of finance leases

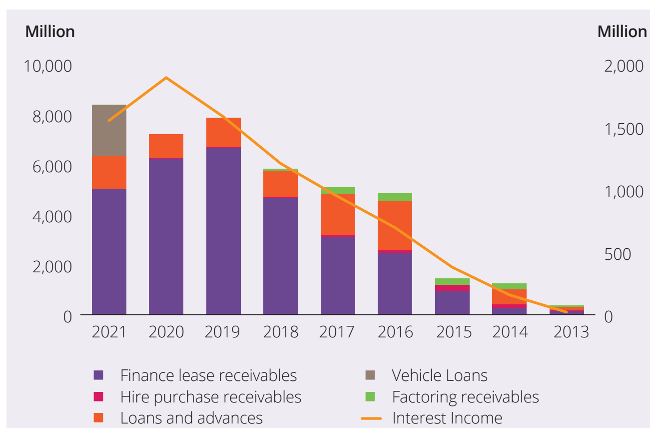
The newly introduced hybrid vehicle loans grew faster compared to all other products and secured
22% of the total lending portfolio

Revenue Growth

Despite growth in the portfolio, all income categories reported a decline due to modest margins and the interest concessions granted for COVID-19 affected individuals and businesses. Therefore, the total interest income decreased by 18% compared to last financial year with interest on lease rentals decreasing by 28% and interest on loans and advances decreasing by 10%. The interest on early termination and interest on overdue rentals increased by 93% and 6% respectively.

Revenue Growth **%**





MANAGEMENT DISCUSSION & ANALYSIS

Liquidity Management

Availability of funding to meet the business obligations and routine operations is the main task of all NBIFS.

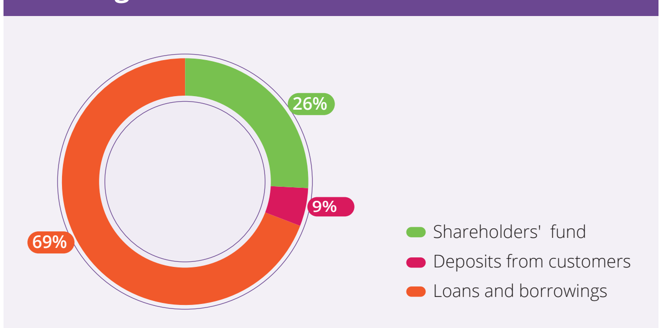
During the year, the government's initiative to reduce the market interest rates owing to the COVID-19 pandemic created a favorable impact on all banking and financial institutions. Policy rate cuts along with the reduction of the statutory reserve requirement supported NBIFs to manage delayed cash inflows due to moratoriums. Therefore, during the year, the Company also managed the funding mix mainly relying on the bank borrowings whilst focusing on improving the deposit base of the Company.

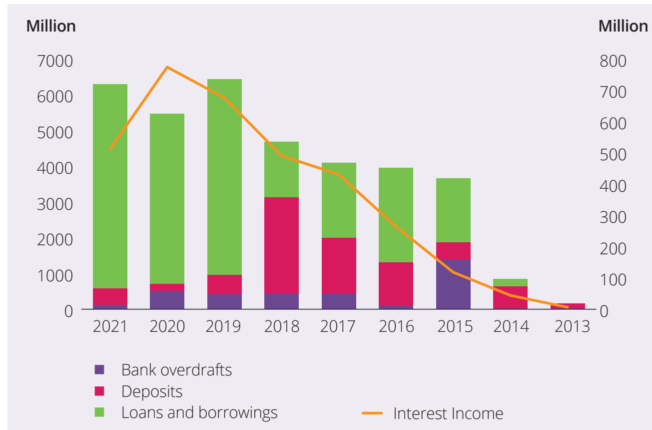
Unfixed borrrowings enabled the Company to enjoy lower cost of borrowings and maintain Net Interest Income (NII) . The Bank borrowing remained the largest contributor to the funding mix, amounting to 69 %, contributing Rs. 6.1Mn in funding, while the balance stemmed from shareholders' fund. Deposit portfolio remained insignificant in the financial year under review despite recording a significant growth of 145% in the previous year (2019/20). Edge forward, the Company's key focus is to build up a sustainable deposit customer base.

Interest cost has come down significantly supporting the NII of the Company.

During the financial year 2020/21, borrowing cost decreased by 34% in line with the trends in AWPLR & Treasury Bill Rates whilst Total borrowings & Deposits of the Company increased by Rs.827 Mn.

Funding Mix %

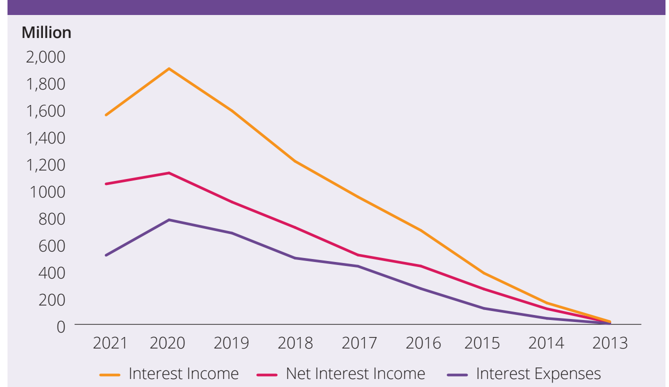




Net Interest Income

The combined impact of the modest margins and the concessionary interest rates owing to the debt moratorium reliefs during the two waves of the COVID-19 pandemic and extension of repayment periods, drove down net interest income, which reflected a 7.21% drop against the previous year. The downward reprising of deposits and borrowings supported lower cost of financing whilst keeping intact the Net Interest Margin (NIM) at 11.9%.

Net Interest Income



Impairment Charges

The Company consistently focused on its collection efforts by implementing robust recovery processes and procedures. Resultantly the NPL's of the Company reduced by Rs. 842 Mn during the year. This resulted in decreasing Gross Non-Performing Loan ratio to 9.81% as at 31.03.2021 from 21.62% as at 31.03.2020.

	Company 2021	*Industry 2021
NPA %	9.81%	11.3%
Provision Coverage Ratio	70%	64.16%

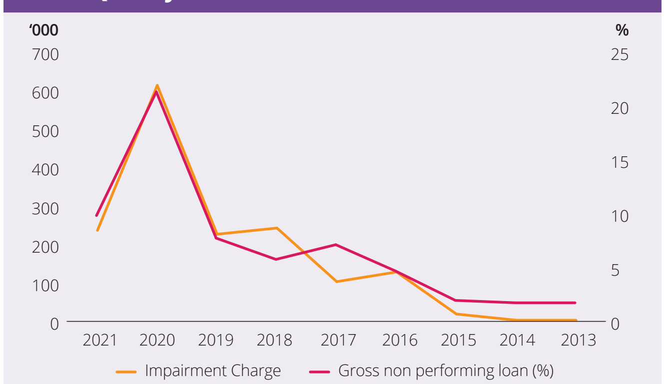
**Industry data as at 31st March 2021 as published by the CBSL*

Adequate impairment charge made in financials resulted in record reduction in Net Non-Performing Loan ratio to 2.8% parallel to Gross Non-Performing Loan.

Against a background of relentless "Collection Effort" and a better quality "Asset Portfolio" enabled by stringent, risk managed Credit Strategy/Criteria, the Company was able to bring down our NPL status well below the Industry Average.

The Company continued to adopt prudential provisioning methodology between IFRS 9 and CBSL by applying higher of the two benchmarks. This has resulted in improving the provision cover ratio to 70%, which is in par with the leading players in the industry.

Asset Quality



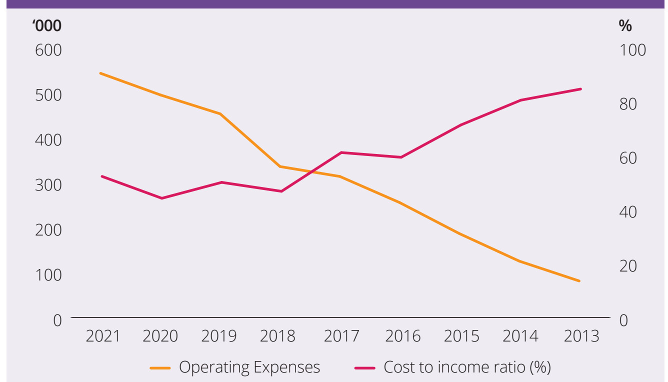
Overhead Cost Management

Despite the focused cost management initiatives amidst the pandemic backdrop, total overhead cost of the Company increased by 10% against the previous year. Personnel cost remained the highest contributor to this increase as the Company focused on the well-being of the staff without any pay cuts staying true to its belief that the human capital is the most precious resource of the organization.

However, other cost categories were kept in line with the strategic initiatives which resulted in a decrease in other overhead cost by 20% compared to previous year.

Further, greater decline in NII and expense overhead cost resulted in a comparatively higher cost to income ratio of 52% against the 44% in the previous year.

Overhead Cost Management



Taxation

Tax expense of the Company increased in line with the growth in profitability despite the downward revision in tax rates. Our total tax expenses increased by 35.7% to Rs.14 Mn during the year, whilst the effective tax rate reduced from 62% to 42%.

Profitability

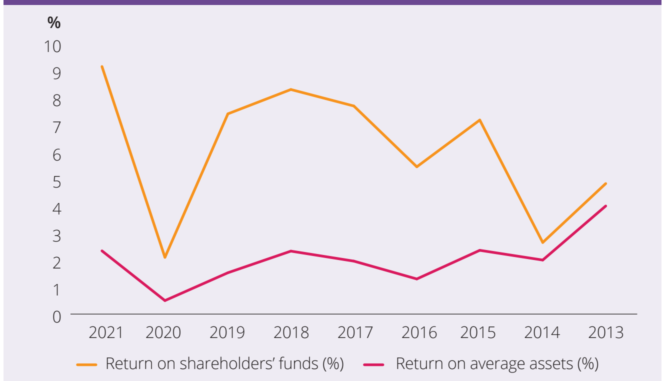
The Company recorded a significant increase in profitability levels by recording a Profit before tax of Rs.251Mn for the year ended 31.03.2021 notwithstanding the challenging business environment resulting from COVID-19 pandemic. The Profit before tax was up by 735% whilst Profit after tax increased by 506% compared to the previous year.

The portfolio growth stemmed from the selected vehicle financing and the focus on the collateralized SME lending while the improved recoveries boosted the profitability of the Company. Besides, the low interest rate scenario also contributed positively to the increase profitability.

Return on Assets and Return on capital employed also improved significantly parallel to the profitability by posting 2.34% and 9.16% respectively.

MANAGEMENT DISCUSSION & ANALYSIS

Profitability



Financial Stability with a Strong Capital Base

The core capital of the Company as at 31st March 2021 improved to Rs. 2.241Bn, which is comfortably over the stipulated CBSL guideline of Rs. 2.0Bn.

As is evident in the financial highlights, Fintrex has complied with all the statutory ratios as at 31 March 2021. We are proud to state that this has been the case in the recent past despite the volatility experienced by the industry during the period.

	Company 2020/21	Company 2019/20	*Industry 2021	Regulatory Minimum
Tier 1 capital ratio	21.68%	23.23	14.27%	6.5%
Total capital ratio	21.50%	23.23	15.55%	11%

**Industry ratios are as at 31st March 2021 published CBSL*

It is worth highlighting that our total capital adequacy ratio of 21.5 % vis a vis the CBSL requirement of 6.5% and total risk weighted assets ratio of 21.4% against the requirement of 10.5%.

Having fully complied with all prudential regulatory requirements including core capital maintenance, adherence to capital adequacy ratios, liquidity management, CBSL has categorized Fintrex under 'Group A' Finance Company. This recognition from CBSL reflects the sound management practices adopted by Fintrex which are in par with the leading players of the industry.

OPERATIONAL REVIEW

Strengthening our market presence

Fintrex Finance pursued a journey of success and transformation. The Company achieved phenomenal success by reaching many financial milestones. It's journey of success was further validated by the Company gaining recognition as the 'the Fastest-Growing Finance Company' by the Dubai based 'International Business Magazine.

Overview

Despite the year under review, Fintrex Finance recorded a remarkable growth with a significant profit after tax of Rs. 194 Mn. This exemplary performance demonstrated the Company's resilience amidst challenging business externalities. The Company was also successful in securing additional funding of Rs. 1,750Mn. Our loan book value increased to Rs. 9 Bn as at 31.03.2021, indicating a 15% asset growth. The Company's Non-Performing Loans (NPL) ratio was brought down to a single digit mark in March 2021. These achievements were attributable to several initiatives that were taken over the past few years since the change of ownership in 2018.

Although we were faced with the adverse impacts of the pandemic which curtailed normal business operations, we were able to mitigate those issues with our timely interventions and practical solutions. The Company transitioned to a work from home environment, we also established a digital platform to work with our sales teams and the customers. The customers were given the option of making payments through a wide array of payment platforms which included banks, eZ cash and supermarkets. Similarly, under the guidelines of the Central Bank of Sri Lanka, we provided a moratorium to those entrepreneurs who were affected by the pandemic.

Key events during the year

- Dealer Get-together Kandy
- Celebrating Customer Service Week 2020
- Hosting CEO's lunch for CEO club members
- Celebration of City Branch first anniversary
- Conducting Strategy Meeting 2020
- Celebrating Fintrex Service Champions
- Conducting Corporate Grooming session
- "Good to Great" Marketing Conference

Dealer Get-together

Enhancing brand visibility and product portfolio expansion remained a critical focus area during the year. As such, we carried out activities to increase brand identity and introduced several new

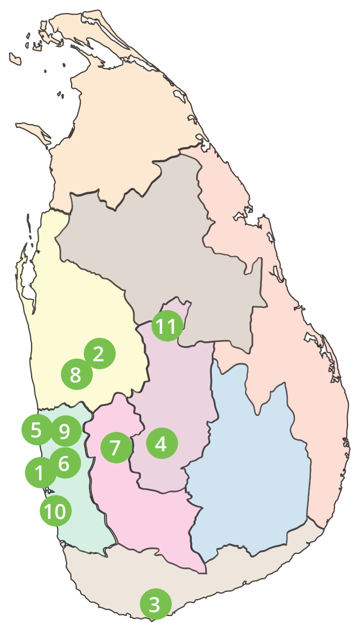
Celebration of City Branch first anniversary

product categories establishing a wider product portfolio to suit the customers' needs. These innovative products and services will support businesses and communities by giving them access to economically beneficial financial solutions.

The Company's main focus was predominantly small ticket financing,'motorcycle leasing'. However, we have now focused on four-wheel leasing in our new product expansion strategy, introducing products such as 'Easy Leasing', 'Smart Cash', and 'Vishwasa' fixed deposit. We will also be launching a new gold loan product branded as 'Ranshakthi gold loan' (Raththaran Nayak) facility in the near future.

Branch Network

The Company has a wide-geographical network of branches spread



Colombo 07	1
Kurunegala	2
Matara	3
Kandy	4
Negombo	5
Kiribathgoda	6
Kegalle	7
Kuliyapitiya	8
Gampaha	9
Kalutara	10
Dambulla	11

As an initiative to provide customer convenience, we relocated Head Office Branch at Dharmapala Mawatha, Colombo 07. During the financial year, the Company shifted its Kiribathgoda branch to a a more convenient and

City Branch Opening by Chairman

Kiribathgoda Branch Opening by CEO

spacious location to better serve our customers. The Company had obtained the necessary approvals from the Central Bank of Sri Lanka to open five new branches. However, the pandemic and the movement restrictions in the FY 2020/21 was not conducive for branch expansion. Instead, we focused on refurbishing our entire branch network.

Going forward, we look forward to opening our new branch in Galle.

Augmenting Customer Service Levels

Apart from our enhanced product portfolio, we also considered enhancing our customer convenience levels. A key aspect of concern in this regard was the speed of service delivery. The Company critically evaluated the process flows of its existing products and services to develop enhanced service levels by eliminating unnecessary bottle necks in the process flow. Hence, we launched "Easy Leasing" a fast and speedy lease facility which was granted within 'one day' - where the customers requirement will be met by our salespersons within a day. Further our Smart Cash' product enables our customers to obtain financing immediately in any urgent cash requirement against their own vehicle.

As a Company, one of our critical focuses was the internal process improvement. As such, we have established a Customer Service Steering Committee headed by the CEO which goes into root cause analysis to come up with sustainable initiatives and improvements resulting in customer experience and engagement through effective, efficient and up-to-date internal processes. We focus equally on the internal customers so as to enable them to provide a competitive service to our external customers. To this end continuous dialog is encouraged between front office staff and support services to track, improve and upgrade all customer service processes.

Customer Care Recovery Clinic

In the backdrop of the global pandemic COVID-19 that impacted people and businesses, we strategically adopted a mutuonsidering the uncertainty of the pandemic and economic uncertainty in the foreseeable future, Fintrex also decided to proactively initiate a means to help its borrowers by providing financial advice and relief by way of structured 'Customer Care Recovery Clinics'. This way, collection efforts were carried out in a manner that was advantageous to Fintrex and its customers.

Fintrex also understood that its impacted customers needed a quick, convenient and timely solution. With this in mind, a designated team, dedicated to the project conducted the 'Customer Care Recovery Clinics' at each of its branches in Colombo, Kandy, Matara, Kurunegala, Dambulla, Kuliyapitiya, Kegalle, Negombo, Kiribathgoda and Gampaha. A group of representatives conversant with financial structuring and the surrounding legal aspects invited impacted customers to attend the clinics at a branch closest to them. These individuals were then educated on the process involved in providing financing, the regulations surrounding lending and borrowing, the implications of nonpayment, the legal aspects involved and recovery action in the normal course of business lending operations.

Customer Care Recovery Clinics

This unique initiative implemented during challenging times brought into focus Fintrex Finance Limited's ability to adapt to change and provide its customers with unique financial propositions, easier and affordable access to financial solutions while enhancing its level of customer service to establish and retain long standing, credible relationships with its customers.

Celebrating the International Customer Service Week

Being a trailblazer in the industry with above average customer service levels, the Company celebrated the "International Customer Service Week" in October across all its branches. A series of initiatives to celebrate fruitful customer relationships and to reward longstanding customer loyalty were in place including felicitation of prime customers, children's art competition and felicitation of families of staff who support us indirectly to take the company to the next level.

Further, positive experiences of many key customers were shared amongst the teams and across social media platforms of the company including Face Book which strengthened brand reputation and increased social media presence.

Celebrating International Customer Service Week

MANAGEMENT DISCUSSION & ANALYSIS

The Fintrex Brand

Brand building is an integral part of business development as it is the brand that establishes trust amongst our clients and helps us retain their loyalty. It is also the brand that sets us apart from our competitors. Hence, guided by our objectives to position our Company within the top 5 competitors, we continued with our brand-building efforts during the year to enhance our identity amongst our target audience despite the challenges in the operating environment. Through Above the Line (ATL) and Below the Line (BTL) promotion activities such as television & radio advertising, placing hoardings, and social media advertising we continue to enhance our brand visibility in Colombo and other areas of the country.

During the year, apart from campaigns focused on deposit mobilization, we also carried out a full-day's town storming leaflet campaign covering a wide locality in and around Pettah and Fort reaching the business community and the general public raising brand awareness and product offers of Fintrex. Many activities to support the trade and the community such as dealer boards and sponsorship events in various locations across the country were carried out.

The Company also has a formidable social media presence on Facebook, LinkedIn, YouTube, Instagram and Twitter while the FB page engagement has plunged over a short span of time as a result of focused branding and communication efforts.

youtube Facebook Instagram Twitter linkedin

Town Storming Campaign

Hoarding

Corporate Social Initiatives (CSR)

We are conscious of our impact on the world around us and therefore take a proactive role as an organization as well as individually to enhance the lives of the communities in which we operate; be it protecting the environment, helping those in need, or supporting local communities. Therefore, as a responsible corporate entity, we carried out a COVID awareness campaign "Meeteren Jeewithe" erecting a series of hoardings across Colombo and many other towns, in partnership with the Ministry of Health to raise public awareness of the pandemic and to encourage best practices of health and safety to save their lives and the loved ones.

OUR PRODUCT PORTFOLIO

Delivering on Customer Aspirations

Our customer is pivotal to our success and hence, we make every effort to deliver value to the customers create products that cater to their requirements. Therefore, our product portfolio encompasses a range of products from leasing, business loans, trade finance, to deposit and savings accounts.

These products with their unique features and benefits will enhance the distinctive value of each product and remain committed to address the exclusive financial needs of the customers and thereby improving their lives.

LEASING | TERM LOANS | TRADE FINANCE | FIXED DEPOSITS | SAVINGS

Leasing

Fintrex Finance offers a wide range of Leasing products that are customized to meet the specific requirements of our diverse customer base who are seeking to realize their dream owning a vehicle. Our product range includes vehicle leasing facilities, vehicle loans, hire purchase facilities for 2W, 3W and 4W vehicles for the customers across the island to purchase their dream vehicle, be it brand new, registered, or unregistered, petrol, hybrid or electric through getting in touch with the Company's island-wide network.

These leasing products coupled with speedy service delivery, the flexibility in personal guarantor requirement and down payments, and flexible repayment structure based on future cash flows targets attracting salaried employees, individuals engaged in businesses, SMEs, and corporate clients.

Our product 'Smart Cash' for 4W vehicles enable the customer to acquire brand new, reconditioned and registered motor cars/vans & SUVs.

Our 'Easy Leasing' campaign was carried out in March 2021. during which a multipronged effort was carried out to deliver to the general public and our target audience, the message of ease of obtaining financing to upgrade their lives. This campaign was supported by both ATL and BTL tools such as print, digital and social media and in-store promotional activities. The campaign ended on a high note with the company recording the One Billion mark in sales in the month.

Term Loans

We strongly believe in serving the SME sector and therefore, facilitate quick access to financing for the entrepreneurial SMEs and offering them a range of financing options that would suit the cash flows of their business and help them grow their enterprise. The three types of business loans we provide include short terms loans, revolving loans, and long-term loans to purchase stocks and raw material, meeting the recurring expenditure, and investing in capital goods, respectively.

The long-term loan facility is available to purchase property, vehicles, and machinery stocks. While personal guarantees can be offered as security, it provides a repayment period between 13 months to 60 months along with a grace period based on the business cash flows and nature of projects.

The short-term loans are offered for the working capital requirements of businesses and is provided with a repayment period of 12 months or below.

Trade Finance

Our trade finance facility is available for importers of vehicles and other trading goods including Letters of Credit facilities and post-import loans for importers by pledging original import documents for vehicles and pledging the imported goods. We also provide import loans for custom duty payments, as well as for warehousing facilities and inventory management for pledged goods. The entire value chain is monitored and handled from port to warehouse.

MANAGEMENT DISCUSSION & ANALYSIS

This facility provides a flexible repayment period of less than 12 months.

Fixed Deposits

We offer Fixed Deposit (FD) investment schemes at competitive interest rates for investments and loans up to 90 percent of the value of the deposit. Backed by world-class investors and robust governance and risk management system, we guarantee our clients reliable investment plans to suit their convenience.

These deposit products have several deposit terms for the customers to choose from while the interest is payable at maturity or monthly. In addition, we allow cashback facilities against the fixed deposit of up to 90 percent of the value of the investment.

Eligible deposit liabilities are insured with the Sri Lanka Deposit Insurance Scheme, implemented by the Monetary Board, for compensation up to a maximum of Rs.1,100, 000/- per depositor.

During the year, the Company introduced the 'Vishvasa' fixed deposit product to the public in its initiative to expand the product portfolio of the Company. This product is accompanied by a competitive interest rate providing people with a higher return incentive for their savings, especially during challenging times.

Savings

For inculcating the habit of saving amongst our customers, particularly amongst the entrepreneurs of the SME sector that represent the future of the nation, we have introduced two savings products; 'Vishishta' savings account for those who are above the age of 18 and 'Shreshta' senior citizens' savings account. Similarly, we have also introduced a 'Pravishta' children's savings account for children who are below the age of 18 years.

These savings products allow convenient cash deposits, withdrawals, fund transfers through the island-wide network with a standing order facility and offer competitive interest rates which are calculated daily with a monthly credit.

OUR HUMAN RESOURCES

Nurturing talent to build a cohesive team

At Fintrex Finance, we consider our human capital as our most precious resource recognizing their vital contribution as a strategic partner in the sustainable progress of the Company. We constantly focus on innovation, training & development and collaboration. It helps us to attract, develop and retain the right talent, which is the foundation for the growth of our business.

Overview

Our human resources vision aligns with the Company's vision, mission, objectives, values, strategies including the goals of all our stakeholders thereby ensuring a robust human resource framework that integrates individual and organizational goals. We are mindful of the acquisition of the right people and talent at the right time at the right remuneration level for each level of operations. We have focused on creating a nurturing and conducive work environment that in turn promotes a culture of productivity and accountability whilst fostering team spirit.

We firmly remain dedicated to enhancing employee skills and capacities in equipping them with the necessary tools and techniques to deliver their best performance at the workplace. While providing them continuous exposure to training and development opportunities in enhancing their existing capabilities, we also persistently encourage employee participation in the business decision making in fostering an inclusive culture within the Company. This has enabled us to create a 'Family' culture amongst our staff members

Business Strategy Meeting

Camaraderie at breakfast parties

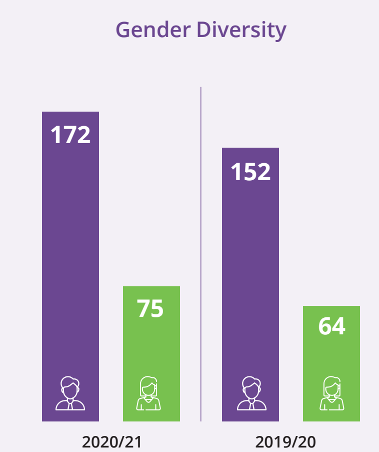
From the day of recruitment, we edify our young cadre on our corporate values while encouraging them to always abide by the Company's policies and procedures. We support internships where we enroll interns providing them with a constructive understanding of our business environment and teaching them skills that lay the foundation for their careers.

Those who regularly follow our values and principles are recognized at forums such as 'Breakfast Parties'. Additionally, we ensure that all our employees are treated with dignity and equality while adhering to all employment and labour standards, and corporate directives.

Celebrating together at pizza parties

Recognition at the CEO's Club

Total Staff	247	216
	2020/21	2019/20



MANAGEMENT DISCUSSION & ANALYSIS

Age analysis

	2020/21	2019/20
Below 21	3	3
21 – 30	132	133
31 – 40	71	51
41 - 50	30	20
51 - 60	9	8
Above 60	2	1

The Company's well-structured, transparent, and effective performance management system aligns with the Balanced Scorecard concept that evaluates employee performance motivating the employees to work to the best of their abilities and knowledge, supporting employees to meet their departmental goals and individual key performance indicators. This also permits us to recognize the employee's training needs in supporting their future succession plans. Furthermore, we ensure that our employees are duly recognized and rewarded for their impressive performance through performance-based incentives, performance-based bonuses, annual increments, and promotion schemes.

We provide our employees with industry par remuneration in addition to a range of benefits including staff loan facilities, medical insurance, and education loans, and goes a step further by carrying out a salary surveys every two years to determine a fair and competitive salary on par with the industry standards.

Recognition at Annual Awards

Human Resource Strategy

- Competency Development
- Conducive work culture
- Performance Evaluation
- Process Improvement
- Employee Engagement

Highlights of the Year

Adapting to a 'new normal' work environment

As with many other businesses, we were faced with the adverse impact of the COVID-19 pandemic as a business entity and individually. In this milieu, we activated our Emergency Response Plan, along with the Business Continuity Plan (BCP) that was refined to suit the prevalent conditions, enabling the Company to respond to the emerging challenges in a proactive manner. We gave the highest priority to ensure the health and safety of our employees including adapting to the new realities of work through introducing roster-based, work from home schedules, split locations, and flexible shift-based arrangements. In addition, we continuously endeavour to create awareness among our employees on the health and safety measures providing them with personal protective equipment and keeping them in the loop with regular updates on the latest developments of the pandemic situation.

The establishment of a Call Centre within the Company enabled us to call our staff members at the branch level to inquire on their wellbeing during the pandemic backdrop.

- Ensure Health and Safety of Staff
- Capacity enhancement on virtual platform
- Adapting to Work from home
- Ranking high in Great Place To Work Survey 2020
- Digitalized internal Processes

Employee Health, Safety & Wellbeing

The events of 2020 have served to underline the importance of health and wellness to organisations across the globe, making it a priority to deepen our commitment in ensuring a healthy and positive workforce. As the health and safety of our employees is an area of focus for us, we have implemented a number of initiatives, including

Employees who test positive, or are awaiting test results, are personally contacted to ensure care, support and guidance and providing support facilities.

Training & Development

Despite the challenges posed by the pandemic, we persistently continued our efforts in enhancing the competency levels of our employees by providing them continuous exposure to various training and development opportunities. Most of these training and development activities are conducted in-house by internal staff members (experienced senior staff at the Managerial level) who fervently encourage interactive participation of employees.

Internal Training

During the year we conducted 30 training and development programs of which 26 are internal training and 4 are external training. We invested a total amount of Rs1.257 Mn for capacity development activities during the year. Most of the training was conducted on digital platforms due to the prevailing situation and consisted of several knowledge sharing sessions including webinars and discussions on problem-solving methods such as root cause analysis.

Training and Development (2020/21)

Types of training

i.	Internal training	26
ii.	External training	4
iii.	Induction programmes	6
iv.	Technology (IT)	2
v.	Overseas	0
vi.	Customer care	5
vii.	Privacy/security/risk management	1
viii.	Leadership development	1
ix.	Other categories	15

A significant achievement during the year was our position within the Great Place to Work (GPTW) survey. As we managed to address the problem gaps identified in our initial survey through carefully taken initiatives and formulating a discrete team to examine those issues, we were able to attain a high score in our last year's survey becoming the industry highest in the internal communication category.

Induction programmes

Internal Training

Automation of HR Processes

In line with the Company's overall digitization agenda, the HR Department continued to accelerate the automation of HR processes to facilitate greater efficiency, cost-saving and optimization of resources. These efforts have enabled the Department to function effectively minimizing time wastage thus providing a better service to the employees.

Consequently, we have introduced an Employee Probation Evaluation system, digital payslips including an online application for employees to access their salary details through our digital HR portal. The Company's unique 'IDEA' platform is another initiative within our digitalization efforts in facilitating employees to voice their new ideas and suggestions electronically.

Edge Forward, we will continue our operations through adapting to the issues posed by the COVID-19 pandemic and the challenges arising from the new 'normal' work environment. Our agenda

MANAGEMENT DISCUSSION & ANALYSIS

to digitalize the internal processes will remain intact along with implementing visual management and 5s initiatives to create a lean organization. While keeping employee's health and safety at the forefront, we will also continue our efforts to enhance the capacity of our employees through exposure to further opportunities and increased employee engagement activities on a virtual platform.

Enhancing Employee Engagement Levels

The Company had scheduled a series of employee engagement activities for the calendar year which was curtailed due to the pandemic and resultant movement restrictions. However, the Company ensured that it engages with its employees through regular meetings and gatherings which were conducted on virtual platforms. The employees participated in a Poson Bathi Gee program (Fintrex Poson Bathi Gee Samadiya) which was held virtually and streamed on Facebook.

Sports Club

OUR PATH TO DIGITALISATION

Reinforcing growth through technology

We consider technology and innovation to be a priority and a strategic tool that enables us to deliver an enhanced experience to our customers. The pandemic elevated the need for innovative technology to enable our customers access financial services on online platforms. It was also a catalyst to transition towards digital platforms for financial transactions.

Overview

At Fintrex Finance, digitalisation is a strategic initiative that is deployed across the business value chain. We have been continuously digitising our internal processes and service offerings. Our technology initiatives have not only helped us improve our overall efficiency but has also helped us greatly enhance the customer experience

The pandemic accelerated the digital initiatives that were in place. Hence, we embraced the digital transformation converting our systems and processes into a digital platform. Although this has altered the way we operate breaking new grounds, this transformation has increased our productivity and efficiency in every aspect of our operations, creating a platform to deliver enhanced value to customers.

Driven by our broader vision to emerge as a digitally enabled finance Company in the future, we have taken initiatives to expand our IT Team with young, energetic and experience members within the last two years to support our digital roadmap. Besides, we have established separate units within the IT department to maintain segregation of duties to provide focused support to attain our broader perspective.

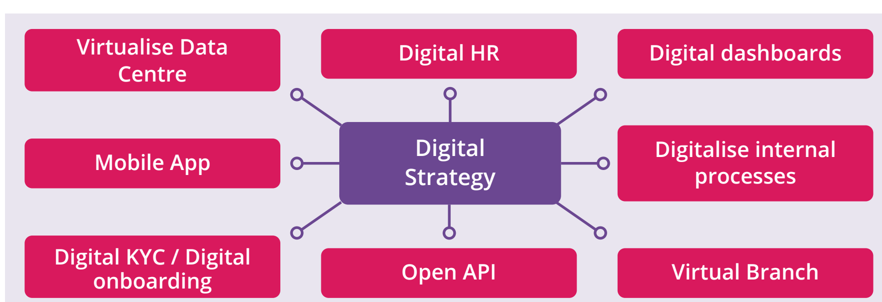
Highlights of the Year

With the expansion of our IT platform, we have fervently focused on internal process re-engineering utilizing our internal development team. With this initiative we were able to successfully develop internal systems such as MIS with dynamic digital dashboards, fully fledge recovery system, inventory control and Fixed Asset system to sustain our efficient operations. We introduced a digital HR platform with an automated performance management system as well as digitalizing our entire legal operations through developing a litigation management system, the first in the industry to do so. In addition, we have developed a digital credit appraisal system for SME's.

We have also introduced a mobile APP to provide a communication platform for our clients including access to critical information. At present, we have completed the pilot run for the project and intend to launch it by September 2021.

Fintrex's digital journey which is supported by a Virtualised Data Centre operates under an ISO standard environment to provide uninterrupted services to its customers using efficient management of resources and enabling expandability required in the future. Although our overall IT investments were limited during the financial year, we invested on data centre to further strengthening our server virtualisation environment by upgrading capacity to support the business growth with uninterrupted service. Further we invested on state of art email communication platform which runs on cloud technology including video conferencing facility.

As we move forward, we will pursue a growth strategy that embraces digital technology thereby becoming the first in the industry to have digitally powered processes and systems. For this, we have already developed a digital roadmap till 2024 which we have presented to the board. We also intend to implement 'Digital Core' by next financial year in enhancing our customer touch points and digital on boarding.



The Fintrex digital journey will continue with supporting digital solutions to rapid business growth by contributing sustainable return to the company. Apart from the technical support IT involve with key monitoring session to enable members to understand data driven approach for decision making, branch reviews, recovery reviews are few of the important session where IT provide analytical information for quick and informed decision.

STEWARDSHIP

CORPORATE GOVERNANCE

Corporate Governance Framework

The year under review was marked by disruption and change which tested the resilience of the Company. This highlighted the importance of effective, ethical and adaptable leadership and governance. Fintrex Finance Ltd has in place a strong corporate governance framework which provides the necessary foundation to navigate complexities to guide the Company towards better performance and operational standards.

The corporate governance framework of the Company complies with the requirements of Finance Companies Direction (Corporate Governance) No 3 of 2008, No 4 of 2008 and No 6 of 2013 issued by the Central Bank of Sri Lanka, and the Companies Act No. 7 of 2007.

The Board of Directors is responsible for good governance and with the view of continuous improvement of rules, structures, policies and procedures which encompass integrity, transparency, internal control and monitoring mechanisms, as well as optimization of resources in order to deliver value to its shareholders, employees and the community at large. The Board holds the responsibility of delivering sustainable stakeholder value, governance policies and procedures to manage the Company for the benefit of all stakeholders, ensuring long-term value creation. The framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements and international best practices.

This report details the system of governance in place within the Company during the period under review.

Board of Directors

The Board is responsible for developing, approving and achieving Company objectives, values and overall business strategy of the Company including risk management, internal control mechanism, financial reporting system and compliance. The board also defines the areas of authority and key responsibilities for itself and for the key management personnel and their succession planning and sustainable performance.

The Board comprises of seven directors of whom four are independent non-executive directors as at 31.03.2021. The roles of chairman and chief executive officer are held separately by Mr A D Gunewardene and Mr Jayathilake Bandara respectively, thereby ensuring the balance of power and authority. Mr M T Galgamuwa has appointed as senior Director w.e.f 22nd June 2016. Directors' profiles, skills and experience are listed on Page 15 to 19.

Each member of the Board has the responsibility to determine whether he /she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon, such abstentions from decision are duly recorded by the Company Secretary.

The Board has overall responsibility of maintaining the adequate internal control system and risk management system and evaluating the effectiveness of the same. The board audit committee has been assigned to monitor the effectiveness of internal control while integrated Risk Management Committee assesses the Risk Management framework of the Company on regular basis.

Board Meeting and Participation

The Board meets once a month unless the business demands a covering of additional special meetings.

Chief Executive Officer presents the Company Performances and the progress of implementing the business strategies. In addition, the Board also receives the reports from board sub-committees from time to time. All the reports along with the notice are sent to directors prior to 7 days of the meeting.

The Company Secretary has been appointed by defining primary responsibility of ensuring board procedures are followed and reviewed regularly. She is also responsible that all relevant information, details and documents are made available to Directors and for senior management for effective decision making at the meeting.

The term of office, resignation, retirement and re-election of Directors are based on the provision of Articles of Association of the Company and Companies Act requirements.

CORPORATE GOVERNANCE

Name of the Director	No of meeting eligible to attend	No of meeting attended
Mr. A D.Gunewardene	12	12
Mr. J R F Pieris	12	12
Mr. S Nagpal	12	12
Mr. K D Bernard	12	12
Mr. M T Galgamuwa	12	12
Mr. S J D Coorey	12	12
Ms. S A Athukorale	12	12

Board Appointed Committees

To carry out its responsibilities, the Board is assisted by mandatory and voluntary board sub committees, which ultimately ensure alignment of the Company's business strategy and direction to deliver value to the stakeholders. These subcommittees are responsible for matters within their respective charters/terms of reference and their recommendations are duly communicated to the main Board.

Name of the Committee	Responsibility	
Audit Committee	Oversee internal controls and financial reporting	Report is available on pages 65 to 66
Integrated Risk Management Committee	Oversee the risk management mechanism	Report is available on page 68
Remuneration Committee	Oversee the remuneration structure	Report is available on page 67
Board Credit Committee	Managing the credit risk	

In addition to the above Committees, CEO and the Corporate Management reviews performance of the company through well-structured meetings. The key management forums are stated below.

Management Forum	Responsibility	Meeting calendar
Overall Performance Review Meeting of Senior Leadership Team with CEO	Review and align the performances of all Business Units and Support functions	Monthly
Asset and Liability Management - ALCO	Review liquidity, funding, interest rates and tenure management	Monthly
IT Steering Committee	Review IT-related project status, System performances, issues and investments	Monthly
Customer Service Steering Committee	Review of customer service initiatives, issue resolution and process development	Monthly
Executive Integrated Risk Management Committee	Review Credit and Operational Risk reports and lending portfolio health check	Monthly
Executive Audit Committee	Review of Internal Audit reports and Investigation reports	Monthly

Compliance

A dedicated compliance function has been established to assess the Company's level of conformance with laws, regulations, directions, rules and guidelines and a Compliance Report is provided to the Board on a monthly basis.

External Auditors

The External Auditors of the Company are M/s KPMG, Chartered Accountants. In addition to statutory audit services, the external auditors provide certain other services to the Company. All these services have been approved by the Audit Committee and in a manner to ensure that there are no adverse effects on the independence of their audit work.

External Auditor's certification on Compliance

In terms of the requirement of the Finance Companies (Corporate Governance) Directions, the external auditors have carried out procedures in line with the Sri Lanka Related Services Practice Statement 4752 (SLSRS 4752) issued by Institute of Chartered Accountants of Sri Lanka, to assess the Company's level of compliance to the requirement of said directions and provide the certification thereon to the board.

The findings of the external report were deliberated to the board and recommendations were implemented within the financial year.

Detailed below are the corporate governance requirements of the CBSL and the CSE, and the Company's compliance thereto.

Business Ethics

The Company enshrines the highest ethical standards in the conduct of its business affairs and its Board of Directors are tasked with ensuring that the resultant regime of exemplary governance across all aspects of business are in the best interests of stakeholders. Ethically correct conduct comprising integrity, honesty, fair play and loyalty pervade all actions. Transparency is encouraged in all public disclosures, as well as in the way business and communication take place with all stakeholders.

Finance Leasing (Corporate Governance) Direction No. 04 of 2009 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business act No.42 of 2011

	Section	Compliance Status	Remarks
(1)	**The Responsibilities of the Board of Directors**		
(1)	The Board of Directors shall strengthen the safety and soundness of the relevant establishment by;		
	a)Approving and overseeing the relevant establishment's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the relevant establishment;	Complied with	The Board formulated Strategic Objectives of the Company along with the values and communicates throughout the Company.
	b) Approving the overall business strategy of the relevant establishment, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	Complied with	Business Plan and Budget for 2020/21 was approved on 25.06.2020
	c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	Complied with	Risk Committee Charter approved by the Board is available and Risk mitigating systems and procedures are discussed at the IRMC Meetings
	d) Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	Complied with	Board approved Communication Policy is available in the Company Intranet Portal.
	e) Reviewing the adequacy and the integrity of the relevant establishment's internal control systems and management information systems;	Complied with	The Board Audit Committee reviews the adequacy and the integrity of the Company's internal control systems and management information systems frequently.
	f) Identifying and designating key management personnel, who are in a position to: (I) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied with	The Board approved Policy on identifying key management personnel is in effect.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
	g) Defining the areas of authority and key responsibilities for the Board and for the key management personnel;	Complied with	The Authority and responsibilities of Board of Directors have been agreed with. CEO & KMPs are responsible for day to day management of the Company.
	h) Ensuring that there is appropriate oversight of the affairs of the relevant establishment by key management personnel, that is consistent with the relevant establishment's policy ;	Complied with	Affairs of the Company are reviewed by the Board at the monthly Board meetings.
	(i) Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied with	The Articles of Association of the Company provides general guidelines in the selection, nomination and election of directors. Currently Non-Independent Directors have been appointed by the parent company. An Independent Director appointed as a Senior Director since Chairman is Non-Independent Director. The management of conflict of interest is addressed based on the accepted business practices. Each director of the Board has a responsibility to determine whether he/she has actual or potential conflict of interest due to a personal relationship or an external association. Annual self-evaluation of the members of the Board carried out and discussed at the board meeting
	j) Ensuring that the relevant establishment has an appropriate succession plan for key management personnel;		Succession plan has been established.
	k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	Complied with	The Board meets on monthly basis and reviews the policies, establish lines of communication and monitor progress towards corporate objectives.
	l) Understanding the regulatory environment;	Complied with	The applicable laws and regulations were communicated to the Board by the Compliance Officer through Integrated Risk Management Committee and also by the Company Secretary. Monthly Compliance Report including regulatory information are reviewed by the Board.

	Section	Compliance Status	Remarks
	m) Exercising due diligence in the hiring and oversight of external auditors.	Complied with	The external auditors - KPMG has been appointed by the Board with the recommendation of Board Audit Committee as per the approval obtained at Annual General Meeting. Certificate of Auditor's Independence is obtained on annual basis.
(2)	The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.	Complied with	The Board has appointed the Chairman and the Chief Executive Officer. The functions and responsibilities are separate and defined and approved in line with the Direction.
(3)	There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the relevant establishment's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the relevant establishment.	Complied with	Any member of the Board is entitled to seek independent professional opinion at the Company's expense with the approval of the Board. No such service has been obtained during the year.
(4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with.	The management of conflicts of interest is addressed based on the accepted business practices. Each director of the Board has a responsibility to determine whether he/she has actual or potential conflict of interest due to a personal relationship or an external association. Therefore, the Director who has an interest in the contract will refrain from voting and it will be duly recorded by the Secretary in the minutes.
(5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the relevant establishment is firmly under its authority.	Complied with	The Board monthly review the operations and Board Audit Committee review internal audit reports on periodic basis to ensure that the Board direction and control of the company are in order.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
(6)	The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action.	Complied with	No such requirement has arisen during the period under review. The Company reports its Liquidity position to CBSL on weekly basis.
(7)	The Board shall include in the relevant establishment's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied with	The Annual Report to include the Corporate Governance Report.
(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied with	The self-assessments of directors are carried out annually and maintain records of such assessment.
(3)	**Meetings of the Board**		
(1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/ papers shall be avoided as far as possible.	Complied with	During the financial year 2020/21, the Board met twelve times.
(2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the relevant establishment.	Complied with	All directors are provided with the equal opportunity to include matters and proposals relating to the promotion of business and the management of risks of the company in the agenda for regular Board meetings.
(3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied with	The dates of the monthly board meetings are agreed upon at the beginning of the year. In addition, Notice is sent along with the Board papers seven days prior to the meeting.
(4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Complied with	No such situation has been occurred during the year.

	Section	Compliance Status	Remarks
(5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with	The Board has appointed PW Corporate Secretaries Ltd as the Company Secretary.
(6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied with	The Chairman has delegated to the Company Secretary the function of preparing the agenda for the Board meetings.
(7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied with	All Directors have access to Company Secretary to obtain required advice and services in relation to Company affairs.
(8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with	The Company Secretary maintain the minutes of Board meetings and such minutes are open for inspection at any reasonable time, on reasonable notice by any Director
(9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted; and (f) The decisions and Board resolutions.	Complied with	Minutes of Board Meetings are recorded in sufficient detail as specified in the direction.
(4)	**Composition of the Board**		
(1)	The number of directors on the Board shall not be less than 5 and not more than 9.	Complied with	The Board consists of 7 Directors.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
(2)	Subject to paragraph 5(1) and the transitional provisions contained herein, the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non- executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied with	No Director holds the position more the nine years
(3)	Subject to the transitional provisions contained herein, an employee of a relevant establishment may be appointed, elected or nominated as a director of the relevant establishment (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	Complied with	The Company had not appointed any Executive Directors.
(4)	Commencing 01.01.2013, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors. A non-executive director shall not be considered independent if such director:	Complied with	The Company consists of seven Directors and four out of them are Independent and Non-Executive Directors.
	a) has shares exceeding 2% of the paid up capital of the relevant establishment or 10% of the paid up capital of another relevant establishment;	Complied with	
	b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the relevant establishment as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the relevant establishment as shown in its last audited balance	Complied with	
	c) has been employed by the relevant establishment during the two year period immediately preceding the appointment as director;	Complied with	
	d) Has a relative, who is a director or chief executive officer or key management personnel or holds shares exceeding 10% of the paid up capital of the relevant establishment or exceeding 12.5% of the paid up capital of another relevant establishment.	Complied with	
	e) represents a shareholder, debtor, or such other similar stakeholder of the relevant establishment,	Complied with	

	Section	Compliance Status	Remarks
	f) is an employee or a director or has a shareholding of 10% or more of the paid up capital in a company or business organization: i) Which has a transaction with the relevant establishment as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment , or ii) In which any of the directors of the relevant establishment is employed or is a director or holds shares exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment , or; iii) In which any of the other directors of the relevant establishment has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment.	Complied with	
(5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director	Complied with	Alternate Director is not appointed during the financial year 2020/21.
(6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied with	All the Non-Executive directors possess required academic and professional qualifications in diverse fields. The mix of different skills and expertise is the key to success in the business arena.
(7)	Commencing 01.01.2013, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied with	No such situation has arisen.
(8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the relevant establishment. The relevant establishment shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied with	Profiles of all the Directors have been disclosed in the Annual Report

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
(9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied with	The Articles of Association of the Company provides general guidelines in the selection, nomination and election of directors. Currently Non-Independent Directors have been appointed by the parent company.
(10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied with	All Directors who were appointed to the Board on to fill casual vacancy, at the time of Annual General Meeting in terms of Articles of Association have offered themselves for re-election.
(11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied with	No Director has resigned or removed from office during the financial year.
(5)	**Criteria to assess the fitness and propriety of directors**		
(1)	Commencing from18th June 2020, with the prior approval of the Monetary Board, permit a Director who is already holding office, and who attains the age of 70 years on or after the date of 18th June 2020, to continue in office as director, subject to strict adherence to the Direction therein.	Complied with	All members of the Board are below 70 years as at 31.03.2021.
(2)	A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Complied with	No Director holds the office as a Director in more than 20 Companies. The detail profiles of the Directors with the position hold by themselves have been listed in the Annual Report.
(6)	Delegation of Functions		
(1)	The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions	Complied with	The Board delegates the powers vested with the Board to any Board Sub Committee, Chief Executive Officer or any person who deems fit to carry out such duty, only if it is appropriate and permissible to do so.

	Section	Compliance Status	Remarks
(2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the relevant establishment.	Complied with	The Board evaluate the delegations and authority limits regularly to ensure that such delegations would not hinder the ability of the Board to discharge its functions
(7)	**The Chairman and the Chief Executive Officer**		
(1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2010.	Complied with	The Chairman and the Chief Executive Officer are separated and not be performed by the one and the same person.
(2)	The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the relevant establishment's Annual Report.	Complied with	The Chairman is a non-executive director. As the chairman non independent and non-executive director, an independent and non-executive director is designated as the Senior Director and to be disclosed in the Annual Report.
(3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the board.	Complied with	The details of Chairman and Chief Executive Officer to be disclosed in the Annual Report. There is no any material relationship between Chairman and Chief Executive Officer or and other members of the Board.
(4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) Ensure that all key issues are discussed by the Board in a timely manner.	Complied with	The Chairman provides overall leadership to the Board while ensuring that the board works effectively and discharges its responsibilities and all the key issues are discussed by the board in a timely manner.
(5)	The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	Complied with	The Chairman has delegated the function of preparing the agenda to the company secretary with his supervision.
(6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied with	The Chairman ensures that all directors are informed adequately and notice of the meeting is sent with the papers prior to 7 days of the meeting.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
(7)	The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the relevant establishment.	Complied with	The chairman encourage all the Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the company
(8)	The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied with	All Directors are Non-Executive Directors. The Chairman ensures that the constructive relationship among the directors to obtain the effective contribution from everyone.
(9)	The chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied with	Chairman doesn't engage in executive functions of the Company.
(10)	The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with	The Chairman is appointed by the parent company. He ensures the communication between the shareholder and the Board.
(11)	The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the relevant establishment's operations and business	Complied with	The CEO functions as executive-in-charge of the Company. CEO is responsible for day to day management of the Company.
(8)	**Board appointed Committees**		
(1)	Every relevant establishment shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	Complied with	The Company has four Board committees namely, Board Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Board Credit Committee and they report directly to the Board. A Chairman and a Secretary for each Committee have been appointed. The Report from each Committee will be available in the Annual Report.
(2)	**Audit Committee**		
	The following shall apply in relation to the Audit Committee:		

	Section	Compliance Status	Remarks
	a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied with	The chairman of the Audit Committee is Mr. K. D. Bernard - an Independent Non- Executive Director. He is fellow member of the Chartered Institute of Management Accountants (UK).
	b) The Board members appointed to the committee shall be non-executive directors.	Complied with	All three members in the Committee are non-executive directors.
	c) The committee shall make recommendations on matters in connection with: i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; (iv) the service period, audit fee and any resignation or dismissal of the External auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous terms.	Complied with	The Audit Committee has recommended; M/s KPMG as the external auditors of the Company Implementation of CBSL guidelines issued to auditors time to time Application of Sri Lanka Financial Reporting Standards to the financial reporting Recommend the audit fees of the external auditors
	d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied with	The Committee has obtained the declaration from KPMG confirming their independence in carry out the external audit function of the Company for 2020/21.
	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider, (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor;	Complied with	The Committee has developed and implemented a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
	f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the relevant establishment's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) The co-ordination between auditors where more than one auditor is involved.	Complied with	The Audit committee met the external auditors prior to the commencement of the audit to discuss the audit plan, nature and the scope of the audit. Accordingly, the committee met KPMG four times during the year to discuss the audit related matters.
	g) The committee shall review the financial information of the relevant establishment, in order to monitor the integrity of the financial statements of the relevant establishment, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the relevant establishment's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) The compliance with relevant accounting standards and other legal requirements.	Complied with	The committee periodically reviews the financial information, in order to monitor the integrity of the financial statements. The Committee reviews the annual report of the Company and interim financial statements.
	h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied with	During the financial year the Committee met once the external auditors without the Key Management Personnel of the Company.
	i) The committee shall review the external auditor's management letter and the management's response thereto.	Complied with	During the year the Committee reviewed the external auditor's management letter and the management's response thereto for financial year 2019/20

	Section	Compliance Status	Remarks
	j) The committee shall take the following steps with regard to the internal audit function of the relevant establishment: (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied with	The committee reviews the adequacy of the scope, functions and resources of the internal audit department. The internal audit plan for 2020/21 was reviewed and approved by the committee. The committee assesses the performance of the Chief Internal Auditor. The Committee ensures the internal audit function is carried out independently and impartiality with proficiency and due professional care.
	k) The committee shall consider the major findings of internal investigations and management's responses thereto;	Complied with	The Committee reviews the major findings of the internal audit and management's responses thereto.
	l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	Complied with	The committee met the external auditors without the presence of management once during the financial year. All the Directors are non-executive directors. .
	m) The committee shall have: (I) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with	The Audit Committee charter explicit authority to investigate into any matter within its terms of references. The details Audit Committee report will be available in the annual report.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
	n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with	The committee meets regularly; adequate notice is given with the issues to be discussed. The Secretary record its conclusions in discharging its duties and responsibilities
	o) The Board shall, in the Annual Report, disclose in an informative way, (I) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) Details of attendance of each individual member at such meetings.	Complied with	The details Audit Committee report is available in the Annual Report.
	p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied with	The Company Secretary acts as the Secretary to the Committee and she record and keep detailed minutes of the committee meetings.
	q) The committee shall review arrangements by which employees of the relevant establishment may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the relevant establishment's relations with the external auditors.	Complied with	Proper arrangements are in place for the fair and independent investigation.
(3)	**Integrated Risk Management Committee (IRMC)**		
	The following shall apply in relation to the Integrated Risk Management Committee:		
	a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied with	The committee consists of four non-executive directors, CEO, CFO and Risk and Compliance Officer. Heads of the department who supervise the broad risk categories of credit, market, liquidity, operational and strategic risks, and Internal Audit attend the meeting by invitation. The detail IRMC report is available in the Annual Report.

	Section	Compliance Status	Remarks
	b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the relevant establishment on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the relevant establishment basis and group basis.	Complied with	The IRMC assess the management information along with the risk indicators on credit, market, liquidity, operational and strategic risk of the Company presented via Risk Report and other Reports at its monthly meetings.
	c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied with	The IRMC reviews the adequacy and effectiveness of Asset-Liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
	d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the relevant establishment's policies and regulatory and supervisory requirements.	Complied with	The Committee reviews respective Risk indicators against the risk tolerance levels. During the year there were no such a situation occurred.
	e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with	The Committee met monthly during the financial year 2020/21.
	f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied with	During the year there were no such a situation occurred.
	g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with	The Committee minutes along with the Risk Report were submitted to the Board within a week of the meeting.
	h) The committee shall establish a compliance function to assess the relevant establishment's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied with	The Committee has established a compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Compliance Officer reports to the Committee and also to the Board on monthly basis.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
(9)	**Related party transactions**		
(1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 3 of 2009 or such other directions that shall repeal and replace the said directions from time to time.		
(2)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: a) A subsidiary of the relevant establishment; b) Any associate company of the relevant establishment; c) A director of the relevant establishment; d) A key management personnel of the relevant establishment; e) A relative of a director or a key management personnel of the relevant establishment ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment; g) A concern in which a director of the relevant establishment or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment, has substantial interest.	Complied with	The Company has recognized the related parties as per the guidelines stipulated in the Direction and action is taken to avoid any conflicts of Interest that may arise from any transaction of the company with such parties. Board approved Related Party Policy is available.
(3)	The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the relevant establishment in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the relevant establishment or obtaining those services of the relevant establishment d) Creating or maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with	The transactions are identified in the Related Party Policy as stated in the Direction.

	Section	Compliance Status	Remarks
(4)	The Board shall ensure that the relevant establishment does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, "more favourable treatment" shall mean: a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the relevant establishment's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the relevant establishment's share capital and debt instruments with a remaining maturity of 5 years or more. b) Charging of a lower rate of interest than the relevant establishment's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	Complied with	The Board ensures that the Company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the Company. The Company has not granted any accommodations to the related parties
(10)	**Disclosures**		
(1)	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) Such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with	The Company published the audited financial statements for year 2020/21 on 30th June 2021, in Sinhala, Tamil and English newspapers. The Financial statements as at 30.09.2020 were published on 26th November 2020 in Sinhala, Tamil and English newspapers.

CORPORATE GOVERNANCE

	Section	Compliance Status	Remarks
(2)	The Board shall ensure that at least the following disclosures are made in the Annual Report: a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. b) A report by the Board on the relevant establishment's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements. c) The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 1, 2011. d) Details of directors, including names, transactions with the relevant establishment. e) Fees/remuneration paid by the relevant establishment to the directors in aggregate, in the Annual Reports published after January 1, 2011. f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the relevant establishment's capital funds. g) The aggregate values of remuneration paid by the relevant establishment to its key management personnel and the aggregate values of the transactions of the relevant establishment with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the relevant establishment. h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance. i)The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2012.	Complied with	Disclosures are available in 'Directors' Responsibility for Financial Reporting' on page 74 and the 'Independent Auditors' Report' on pages 78 of this Annual Report. The report by the Board on the effectiveness of the Company's internal control mechanism over financial reporting is given in 'Directors' Statement on Internal Controls over Financial Reporting' on page 76 of the Annual Report. The Assurance Report from the External Auditor on the Effectiveness of Internal Control over Financial Reporting is disclosed on page 77 of this Annual Report. There were no transactions took place with Directors of the Company other than the Directors' fees/remuneration paid. The remuneration paid to the Board of Directors is disclosed in aggregate in note 43.2.1 to these Financial Statements on page 128. The Company did not have granted accommodation to related parties as such no outstanding as at the end of the financial year. The aggregate values of remuneration paid by the Company to Directors have been disclosed in the note no 43.2.1 on the page 128 of the Annual Report. There were no accommodations granted to KMP. Disclosed under the Directors responsibility on financial reporting and the Annual Report of Directors. The disclosed in the page no 74 of the Annual Report

RISK MANAGEMENT

ENSURING EFFECTIVE RISK IDENTIFICATION & MITIGATION

Fintrex Finance adopts an integrated approach to risk management based on policy frameworks, governance structures approved by the Board of Directors. along with tools and techniques to identify, measure, mitigate and manage all risk exposures.

The risk management framework of the Company is designed to monitor and assess the risk landscape on a continuous basis along with an integrated evaluation of risks and their interactions with the support of the related functions like compliance, internal & and external audit functions.

Risk Governance Structure

The Board of Directors has the ultimate responsibility to manage risk. It formulates policy and sets the risk parameters. The Board has delegated the responsibility of risk management to the Integrated Risk Management Committee (IRMC). The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk parameters and controls to monitor risks and adherence to limits..

The IRMC has overall responsibility for the establishment and oversight of the Company's risk management framework. The Committee works very closely with the key management personnel and the Board of Directors in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management.

In addition, the Board Audit Committee, the Assets and Liabilities Management Committee (ALCO) and Board Credit Committee also assist IRMC and the Board in discharging their responsibilities in relation to risk management. The Committee meets on a monthly basis to assess all types of risk management aspects. During the year under review 12 meetings were held and the minutes were circulated to the Board of Directors.

Approach to Risk Management

The risk management process of FFL includes risk identification, risk analysis, risk control and risk review. Each employee is empowered to identify the risk that they encounter in their day-to-day activities. A communication channel has been established to communicate it to the respective Heads of Departments and then to the Risk Management Committee. The Risk Management Committee analyses the risk, then design and establish the control in place to mitigate the vulnerability. The Internal Auditors review the adequacy and effectiveness of the control and report to the Board through Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to the financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's lending portfolio which includes lease and hire purchase receivables and other loans and advances. Credit risk arises due to default risk and concentration risk.

Default risk has been controlled through the introduction of prudent credit evaluation processes. Obtaining collateral helps to mitigate any losses arising from a potential default. Effective and efficient recovery and follow-up process are practiced by the Company which further reduces the default risk. The diversified asset portfolio further mitigates the risk of concentration. Concentration risk has to be managed by building up the asset portfolio through a larger spread of clients across a multitude of industries and geographical areas. The new product and market development initiatives with the expansion of the branch network strives to mitigate the industry concentration and helps spread the customer base over several industries.

The Company takes into cognizance the risk arising from the impact of the ongoing COVID-19 situation on the broader economy and sectors, which will affect operations and financials of companies, thereby translating into a credit risk for the Company from the borrowers thus impacted. The pandemic has impacted many sectors such as production, supply chain, trade and tourism channels. This will negatively affect various sectors of the economy, thereby resulting in financial stress on the financial services sector. In order to mitigate COVID-19 Risk, the Company shall closely monitor its exposure in such impacted sectors and initiate necessary actions as deemed necessary from time to time.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that sufficient cash is available to meet its existing contractual liabilities when due, under both normal and exceptional conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk is highly dependent on company specific characteristics such as the maturity profile and composition of the company's assets and liabilities, the quality and marketable value of its liquidity buffer and broader market factors, such as market conditions alongside depositor and investor behavior. The Company's balance sheet and liquidity have remained strong, and we surpass the regulatory liquidity thresholds comfortably. It is our policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due.

RISK MANAGEMENT

The Company manages its liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value. Assets and Liabilities Committee (ALCO) is entrusted with this task.

ALCO meets at least monthly and is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity.

Market Risk

Market risk is the risk that arises as a result of changes in the market prices of interest rates and exchange rates which will have a direct impact to the Company's profitability. The Company manages the interest rate risk by financing fixed income assets with similar financing liabilities. The Company manages the interest rate risk well above the norms as lending and borrowings are matched by investing its short-term borrowings in short term lending activities. The Company's lending mainly consists of short-term lending in working capital financing.

At monthly ALCO meetings, Committee reviews the market conditions and the impact to the Company. Prudential measures were taken to mitigate the interest rate risk as well as the exchange rate risk.

Operational Risk

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

The objective is to manage the operational risks in order to strike a balance between risk and return. This balanced approach would avoid the occurrence of financial losses and reputation losses with overall cost effectiveness whilst avoiding control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to IRMC of the Company. Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit department. The results of internal audit reviews are discussed with the management of the Company, Board Audit Committee and the Board of Directors.

The Company's approach to capital management is mainly based on strategic and organizational requirements taking into consideration legal and regulatory requirements as well.

Cyber Risk

With the increase in adoption and investment in digitization security risks have emerged, which could occur due to the breach of confidentiality, integrity and availability of classified data such as customers' personal and financial information. Customer information is of critical importance and the Company is committed to protecting their privacy through information security initiatives.

Fintrex has identified significance of the cyber security as emerging risk category and therefore has considered its requirements as a core component of overall operational risk profile. The IT department has dedicated resource and device strategies to cope with cyber security risks.

The IT steering Committee which meets on Monthly basis, discuss on the implementation of system security features to reduce the risk of cyber threats and to improve system capabilities with the assistance of IRMC.

Strategic Risk

The risk that the Company's future business plans and strategies are inadequate to prevent financial loss or protect the Company's competitive position and generate expected shareholder returns.

The Company rolled out its three-year strategic plan in 2020/21 and the progress against the set objectives are monitored and reviewed periodically along with timely remedial action. Further branch profitability is also reviewed on a periodic basis.

Reputational Risk

The risk of potential /actual damage to the Company's image which may have a detrimental impact on the profitability and/or sustainability of the business. The Company is committed to maintain consistent communication with all its stakeholders to build strong and transparent relationships.

Capital Risk

Capital Adequacy Ratio (CAR) is the key indicator which measures the financial strength of a financial institution, expressed as a ratio of its capital to its risk weighted assets. A higher capital adequacy ratio indicates that the Company is well positioned to handle losses and fulfill its obligations to account holders without ceasing operations. This ratio is used as an indicator to protect depositors and promote the stability and efficiency of a financial system.

Company's policy is to retain a strong capital base to ensure investor, creditor and market confidence to support the sustainable growth of the Company.

For regulatory purposes, the capital base is divided into two main categories, namely Core (Tier 1) Capital and Total Risk Weighted Capital with the minimum requirement of 6% and 10% respectively. The Company maintains its capital base of Rs 2,235 Mn and the core capital ratio of 21.68% and Total Risk Weighted Capital Ratio of 21.50% as at 31st March, 2021 which surpasses the minimum requirement.

AUDIT COMMITTEE REPORT

The Board appointed Audit Committee as at the end of the year comprises the following Non-Executive Directors of the Company.

Mr. K D Bernard (Chairman)
Independent Non-Executive Director

Mr. J R F Peiris
Non-Independent Non-Executive Director

Mr. S Nagpal
Non-Independent Non-Executive Director

The secretary to the Board of the company performs the secretary's function to the Audit Committee.

Brief Profiles of the members are given on pages 15 to 19 of the Annual Report.

The Audit Committee met 10 times during the year. The attendance of the members at Audit Committee Meetings is as follows:

Member	No. of Meetings
Mr. K D Bernard	10/10
Mr. J R F Peiris	10/10
Mr. S Nagpal	10/10

In addition, Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor attended the Committee meetings by invitation. The audit partner of the External Auditors, M/s.' KPMG, was invited to attend three such meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

Role of the audit committee:

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial, Corporate Governance and other related affairs of the company. The functioning of the Committee is guided by Audit Committee Charter and Audit Charter. The committee has been empowered to:

- examine internally any matter relating to the financial affairs of the company
- monitor and follow-up the Internal and External Audit programmes and plans, review the Internal Audit and External Audit reports
- analyse and review risks and examine the adequacy, efficiency and effectiveness of the Internal Control System and procedures in place to avoid or mitigate such risks
- review Accounting Policies, emerging accounting issues and disclosures according to Sri Lanka Accounting Standards (LKAS) / Sri Lanka Financial Reporting Standards (SLFRS)
- review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders
- review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Financial reporting

The committee assists the Board of Directors to discharge their responsibility for the preparation of the Financial Statements that portray a true and fair view of the affairs of the company in accordance with the company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, Finance Business Act no 42 of 2011, and CBSL Directions.

The Committee reviewed the company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

The Audit Committee reviewed and certified the profit reconciliation based on SLAS/CBSL directions and LKAS/SLFRS and impact to the prudential ratios, in compliance with relevant regulations.

The Audit Committee reviewed the financial reporting system in place to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws & regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, and material audit judgments.

External audit

The Audit Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statutes, the service period, Audit fee and any resignation or removal of the auditor. The committee is satisfied that there is no conflict of interests between the company and the Auditor,

The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor. The committee reviewed the effectiveness of the audit processes in accordance with applicable standards and best practices. The Audit Committee will ensure that the engagement of an audit partner shall not exceed five years and that the audit partner is not re-engaged for the audit before the expiry of 3 years from the date of the completion of the previous term as per section 8 (2) (c) of Direction No.3 of 2008 issued under the Finance Business Act no 42 of 2011.

The annual financial statements 2020/21 were reviewed with the External Auditor and their Engagement and Management Letter and Management's responses thereto were also reviewed.

The committee also met with the external Auditor at a meeting without the presence of Chief Executive Officers and other key officers to discuss whether there have been any improprieties, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

AUDIT COMMITTEE REPORT

The Committee assists the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensures that engagement in non-audit services does not impair the external auditor's independence and objectivity.

Risks and internal controls

Audit Committee reviewed the company operations and monitored the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the company are safeguarded and the financial position is monitored according to information made available.

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31st March 2021, as required by Finance Companies (Corporate Governance) Direction 03 of 2008, as assessed in the Directors Statement on Internal Control on page 76.

The External Auditor has issued an Independent Assurance Report on the Director's Statement on Internal Control.

Internal audit

During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

Regulatory compliance

Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No. 42 of 2011 and CBSL regulations.

(Sgd.)
K D Bernard
Chairman-Audit Committee

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is established to assist the Board in evaluating and recommending remuneration for board members as well as the employees.

The Committee comprise of the following directors;

Mr. A D Gunewardene (Chairman)
Non-Independent Non- Executive

Mr. S Nagpal
Non-Independent Non- Executive

Mr. K D Bernard
Independent Non-Executive

The Chief Executive Officer participates in all deliberations of this Committee and attends the meetings by invitation.

Role of the Committee

- Maintain a competitive and attractive remuneration package for employees at all levels on par with industry standards
- Recommending annual bonuses, incentive payments, allowances to the Board based on individual performance, responsibility, expertise and contribution
- Evaluate the performances of employees against pre-agreed goals/ key performance indicators and recommend rewards/promotions to the Board of Directors

The Committee recognised rewards as one of the key drivers influencing employee behaviour, thereby impacting business results. Therefore, the reward progammes are designed to attract, retain and to motivate employees to deliver results by linking performance to demonstrable performance based criteria. In this regard, the Committee evaluates the performance of the Key Management Personnel against the pre-agreed targets and goals that balance short and long term financial and strategic objectives.

Further, the Committee reviewed the succession plans and the talent management process in respect of the senior management of the Company. Succession planning within the Company also incorporates diagnostic tools and methods for assessing the developmental readiness of employees for particular experiences and roles.

The Committee met two times during the financial year and the proceedings were submitted to the Board.

(Sgd.)
A D Gunewardene
Chairman-Remuneration Committee

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board appointed Integrated Risk Management Committee (IRMC) as at the end of the year comprised of the following members:

Mr. J R F Peiris -Chairman
-Non-Independent Non-Executive Director

Mr. M T Galgamuwa
-Independent Non-Executive Director

Mr. M S J D Coorey
-Independent Non-Executive Director

Ms. S Athukorale
Non-Independent Non-Executive Director

Management Representatives

Mr. J Bandara
Chief Executive Officer

Ms. D.J. Withanachchi
Chief Financial Officer

Ms. D C. Jayasekera
Compliance Officer

Brief profiles of the Directors representing the committee are given on pages 15 to 19 of the Annual Report.

Integrated Risk Management Committee (IRMC) is established by the Board to comply with the requirements specified in the Finance Companies (Corporate Governance) Direction No 03 of 2008, issued by the Monetary Board of the Central Bank of Sri Lanka under powers vested in the Monetary Board, in terms of the Finance Business Act No. 42 of 2011. The composition and the scope of work of the Committee is in conformity with the provisions of the Section 8 (3) of the aforesaid Direction.

The Charter of the IRMC was reviewed and adopted by the Board of Directors in September 2018. The IRMC Charter clearly sets out the membership, source of authority, duties and responsibilities of the IRMC. Functions of the IRMC in the Companys overall risk management framework have been discussed in detail on the page 63.

The Committee held twelve meetings on a monthly basis, during the year under review. The attendance of Committee Members at meetings is stated below.

Director	Attendance/No of meetings held
Mr. J R F Peiris (Chairman)	12/12
Mr. M T Galgamuwa	11/12
Mr. M S J D Coorey	8/12
Ms. S Athukorale	11/12

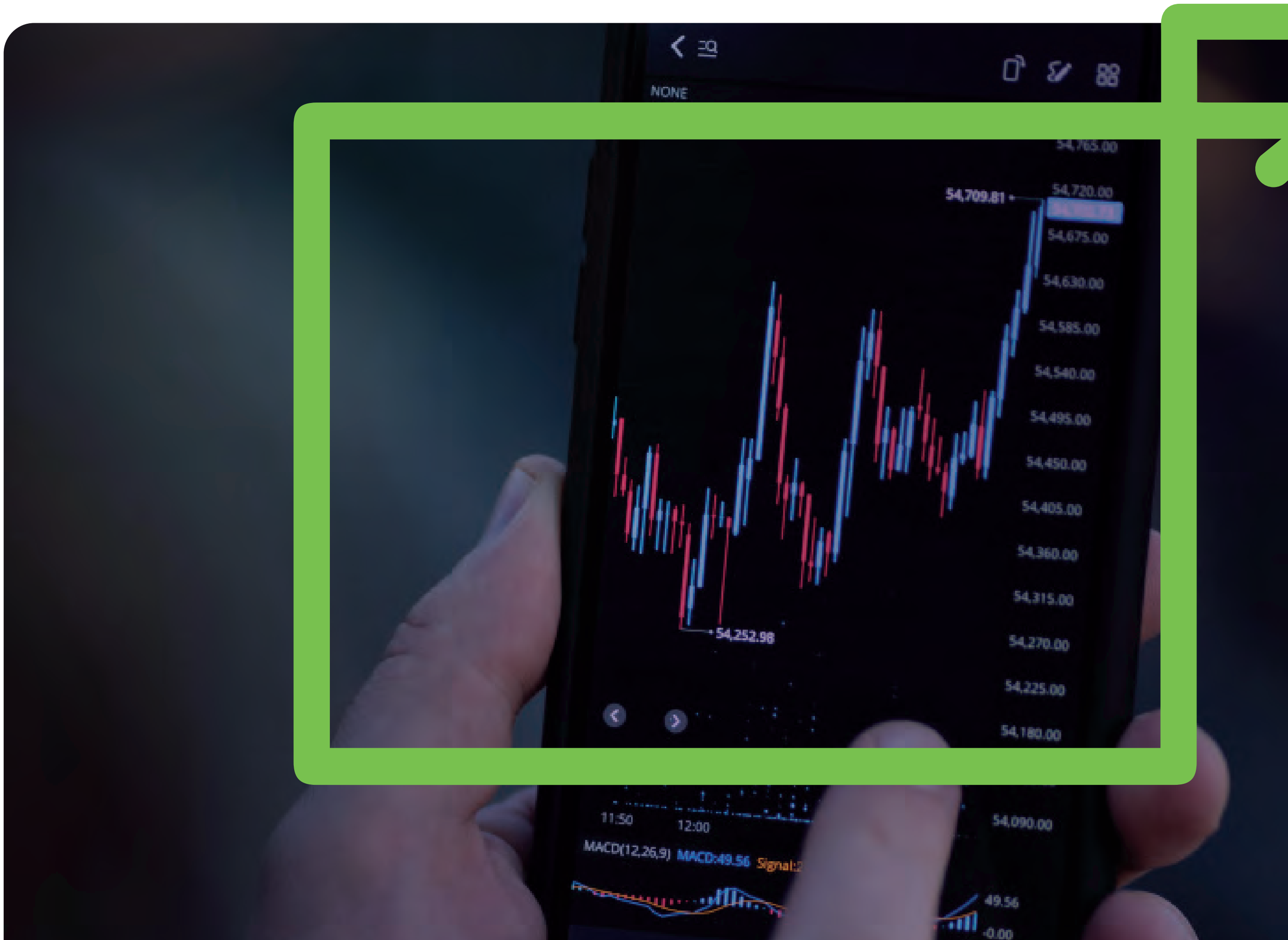
The activities of the Committee include;

- Assessing all risks, i.e., credit, market, liquidity, operational and strategic risks to the Company on a monthly basis through appropriate risk indicators and management information.
- Reviewing the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Making prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Company's policies and regulatory and supervisory requirements.
- Reviewing suitability of updated business continuity plan and develop disaster recovery plan
- Taking appropriate actions against the officers responsible for failure to improve the overall effectiveness of risk management at the Company.
- Monitoring the effectiveness and independence of Risk Management within the Company and ensure that adequate resources are deployed for this purpose.
- Reviewing the effectiveness of the compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.

During the year 2020/21, the IRMC supported execution of the overall business strategy within a set of prudent risk parameters that are reinforced by an effective risk management framework.

(Sgd.)
J R F Peiris
Chairman - Integrated Risk Management Committee

Colombo



FINANCIAL STATEMENTS

ANNUAL REPORT OF DIRECTORS

The Board of Directors of Fintrex Finance Limited has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the 12 months ended 31st March 2021.

This Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance contains the information required in terms of Section 168 of the Companies Act, No. 7 of 2007.

General

Fintrex Finance Ltd is a limited liability Company which was incorporated on 29th March 2007 under the Companies Act No. 17 of 1982 as "A B C Investments Limited". The Company was re-registered under the Companies Act, No.7 of 2007 on 11th February 2009 under Registration No. PB 878.

On 2nd April 2009, the name of the Company was changed to "First Barakah Investments Limited". Consequent to the acquisition of 100% ownership of the Company by Melstacorp Limited, the name was changed to "Melsta Regal Finance Limited" on 9th February 2012. On 6th April 2018, 100% of the ownership of the Company was acquired by Bluestone One (Private) Limited and changed the name to Fintrex Finance Limited in September 2018.

Fintrex Finance Limited is a Licensed Finance Company in terms of the Finance Business Act, No.42 of 2011, having obtained registration under the said Act on 10th February 2012 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000, since 26th August 2012. Registered Office of the Company is at No 851, Dr Danister De Silva Mawatha, Colombo 14.

Principal activities of the Company and review of performance during the period under review

The principal activities of the Company are providing loans and advances, lease financing, hire purchase financing, factoring, trade finance, hiring and mobilising public deposits in forms of savings and term deposits.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

This Report together with the Financial Statements reflects the state of affairs of the Company.

Financial Statements

The complete Financial Statements of the Company, which are duly certified by Chief Executive Officer and Chief Financial Officer approved by the Board of Directors and signed by two members of the Board of Directors including the Chairman, appear on pages 80 to 140 in this Annual Report and forms part and parcel hereof.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, Significant Accounting Policies and Notes thereto appearing on pages 85 to 140 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007.

Further, these Financial Statements also comply with the requirements of the Finance Business Act No. 42 of 2011 and amendments thereto. The Statement of Directors' Responsibility for Financial Reporting, appears on page 74 forms an integral part of this Report.

Auditors' Report

The Company's Auditor Messers KPMG, performed the audit of financial statements of the Company for the year ended 31st March 2021, The Auditors Report issued thereon given at page of 78.

Accounting Policies

The accounting policies adopted by the Company in the preparation of the Financial Statements are given in Note 1 to the Financial Statements, which are, unless otherwise stated, consistent with those used in previous period.

The Company prepared their Financial Statements for all periods up to and including the year ended 31st March 2021, in accordance with Sri Lanka Accounting Standards which were in effect up to that date. The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 85 to 101 of the Annual Report.

Accounting Period

The Financial Accounting period reflects from 01st of April 2020 to 31st March 2021.

Directors

The Board of Directors of the Company as at 31st March 2021 consisted of Seven Directors with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given in the Board of Directors – Profiles on pages 15 to 19.

The names of the Directors who held office as at the end of the accounting period are given below:

Name of the Director	Executive/ Non Executive Status	Independence Non Independence status
Mr. A D Gunewardene	Non-Executive	Non Independent
Mr. James Ronnie Felitus Peiris	Non-Executive	Non Independent
Mr. Mr. Shantanu Nagpal	Non-Executive	Non Independent
Mr. K D Bernard	Non-Executive	Independent
Mr. M T Galgamuwa	Non-Executive	Independent
Mr. S J D Coorey	Non-Executive	Independent
Ms. S A Athukorale	Non-Executive	Independent
Mr. A S Ibraim*	Non-Executive	Independent

**Mr. A S Ibrahim appointed w.e.f. 14.06.2021*

Interests Register / Related Party Transactions

Except to the extent disclosed under Note 43 to the Financial Statements, no Directors were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review.

Directors' Remuneration

The Directors'remuneration is disclosed in Note 43 to the Financial Statements.

Recommendations for Re-election

In terms of Article 99 of the Articles of Association, two Directors are required to retire by rotation at each AGM. Accordingly, Mr. Mr. J M T Galamuwa and Mrs. S.A. Atukorale, will be re-elected as Directors at the AGM.

In terms of Article 103 of the Articles of Association Mr. A S Ibrahim will be re-appointed as a Director at the AGM.

Directors' Meetings

Details of Directors' meetings which comprised Board meetings and Board Sub-Committee meetings of the Board Remuneration/Nomination Committee, Board Integrated Risk Management Committee and Board Audit Committee, are presented on pages 65 to 68.

Board Sub Committees

In terms of Finance Companies (Corporate Governance) Direction No 3 of 2008, the Board has also formed three mandatory Board Sub Committees, namely Board Audit Committee, Integrated Risk Management Committee, and Remuneration/Nomination Committee.

The composition of the above three committees are as follows:

Audit Committee

Mr. K D Bernard (Chairman)
Independent Non-Executive

Mr. J R F Peiris
Non-Independent Non-Executive

Mr. S Nagpal
Non-Independent Non-Executive

The Report of the Board Audit Committee is given on pages 65 to 66.

Integrated Risk Management Committee

Mr. J R F Peiris (Chairman)
Non-Independent Non-Executive

Mr. M T Galgamuwam
Independent Non-Executive

Mr. M S J D Coorey
Independent Non-Executive

Ms. S Athukorale
Independent Non-Executive

Mr. A S Ibrahim
Independent Non-Executive

(Appointed w.e.f 17.06.2021)

The Report of the Integrated Risk Management Committee is given on pages 68.

ANNUAL REPORT OF DIRECTORS

Remuneration Committee

Mr. A D Gunewardene
Non-Independent Non Executive

Mr. S Nagpal
Non- Independent Non-Executive

Mr. K D Bernard
Non-Independent Non-Executive

The Report of the Remuneration Committee is given on page 67.

In addition to above mandatory Board Sub-Committees, the Company has set up the following Board Credit Committees too.

Board Credit Committee Members

Mr. A D Gunewardene - Chairman

Mr. S J D Coorey

Mr. M T Galgamuwa

Ms. S Athukorale

Mr. A S Ibrahim
(Appointed w.e.f 17.06.2021)

Stated Capital

The Stated Capital of the Company is Rs. 1,769,559,610 represented by 176,975,971 ordinary shares. The details of the Stated Capital are given in Note 34 to the Financial Statements.

Share Information

Information relating to earnings, and net assets per share is given in 'Financial Highlights' on page 7. The Main shareholder is Bluestone one (Pvt) Ltd, which holds 100% of Ordinary shares of the Company.

Property, Plant and Equipment

Details and movements of Property, Plant and Equipment owned by the Company are given in Note 27 to the Financial Statements.

Donations

The Company has not made any donations during the period under review.

Dividends

The Directors do not recommend a dividend for the period under review.

Human Resources

The Company continues to invest in Human Capital Development and implement effective Human Resource Practices and Policies to improve workforce efficiency, effectiveness and productivity and also to foster collaborative partnerships that enrich the work and learning environment for the staff.

Auditors

Messrs KPMG Chartered Accountants served as the Auditors during the period under review.

A total amount of Rs. 987,000 /- is payable by the Company to the Auditors for the period under review as audit fees and non-audit fees.

The Auditors have expressed their willingness to continue in office. A resolution to reappoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Statutory Payments

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

Outstanding Litigation

In consultation with the Company's lawyers, the Directors confirm that no litigation is currently pending against the Company will have a material impact on the reported financial results or future operations of the Company.

Events after the Statement of Financial Position Date

No event of material significance that require adjustments to the Financial Statements, other than those disclosed in Note 38 to the Financial Statements on page 125, has occurred subsequent to the date of the Statement of Financial Position.

Corporate Governance

In compliance with Finance Companies (Corporate Governance) Direction No.3 of 2008, the Directors declare that-

- The Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations,
- the Directors have declared all material interests in contracts involving the Company and refrained

from voting on matters in which they were materially interested,

- all endeavors have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue,
- The business is a going concern with supporting assumptions,
- Internal Control procedures and Risk Management practices of the Company are effective and adhered to.

The measures have been taken in this regard are detailed in the Corporate Governance Report on Page 43 of this Report

Annual General Meeting & the Notice to the Meeting

Annual General Meeting of the Company will be held virtually on 15th July 2021 at 2.45 pm centered at the Board Room of Fintrex Finance Ltd at No 841, Dr Danister De Silva Mawatha, Colombo 14.

This Annual Report is signed for and on behalf of the Board of Directors by

(Sgd.)
A D Gunewardene
Chairman

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st March 2021, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto. Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of:

a) the financial position of the Company as at Reporting date; and

b) the financial performance of the Company for the financial year ended on the Reporting date.

The Financial Statements of the Company have been certified by the Company's Chief Financial Officer, the officer responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act. In addition, the Financial Statements of the Company have been signed by two Directors of the Company on June 17, 2021 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements.

Under the Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions are maintained and that the Company's financial position, with reasonable accuracy, at any point of time is determined by the Company, enabling preparation of the Financial Statements, in accordance with the Act to facilitate proper audit of the Financial Statements.

The Financial Statements for the year 2020/21, prepared and presented in this Annual Report have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and amendments thereto.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the Report of the said Committee is given on pages 65 to 66.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements exhibited on pages 80 to 140 including, appropriate Accounting Policies selected and applied based on the new financial reporting frame work on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

The Directors also have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of banking in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records.

The Directors' Statement on Internal Control is given on page 76 of this Annual Report.

The Company's External Auditors, Messrs KPMG who were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and Minutes of shareholders' and Directors' Meetings and expressed their opinion which appears as reported by them on page 77.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the Reporting date have been paid or, where relevant, provided for. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the ICASL and the SEC, the Directors have a reasonable expectation that the Company possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements.

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

By Order of the Board,

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY IN FINANCIAL REPORTING

The Financial Statements of Fintrex Finance Ltd (Company) as at 31st March 2021 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Finance Business Act No. 42 of 2011 and amendments thereto &
- the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka,

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed by the Central Bank of Sri Lanka.

The Accounting Policies used in preparation of financial statements are appropriate and are in accordance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.

Application of Significant Accounting Policies and estimates that involve a high degree of judgments and complexity were discussed with the Board Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Company.

We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the Group are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Company for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The Company's Internal Auditors also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their Report is given on page 78. The Board Audit Committee pre-approves the audit and non-audit services provided by Messer KPMG, in order to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services or impair KPMG's independence and objectivity.

The Company's Board Audit Committee, inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the 'Board Audit Committee report' on pages 65 to 66. The Board Audit Committee regularly examined the major decisions taken by the Assets and Liabilities Committee (ALCO) and the Credit Committee, during the year. The continuous inspection and audit functions, engagement of Internal Auditors and effective functioning of Board Audit Committee, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm that to the best of our knowledge:

- The Company has complied with all applicable laws and regulations and guidelines and there are no material litigation against the Company other than those disclosed in Note 39 on page 125 of the Financial Statements.
- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

(Sgd.)
D J Withanachchi
Chief Financial Officer

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

In line with the Finance Business Act No. 42 of 2011; Finance Companies (Corporate Governance) Direction No.03 of 2008; the Board of Directors presents this Report on Internal Control.

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the Fintrex Finance Ltd ('the Company') system of internal controls. However, such a system is designed to manage the Company's' key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board appointed sub committees accordance with the Guidance for Directors of Company on the Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

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

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of Internal Control System on Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further, details of the activities undertaken by the Board Audit Committee of the Company are set out in the 'Board Audit Committee Reports' which appears on the Annual Report.
- The comments made by the External Auditors in connection with internal control system during the financial year 2020/21 were taken into consideration and appropriate steps will be taken to incorporate them where appropriate during the ensuing year.
- In assessing the internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

Confirmation

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

Review Of The Statement By External Auditors

The External Auditors have reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31 March 2021 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design & effectiveness of the internal control system over financial reporting of the Company.

By order of the Board

(Sgd.)
K D Bernard
Chairman-Audit Committee

(Sgd.)
A D Gunewardene
Chairman

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

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

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TO THE SHAREHOLDERS OF FINTREX FINANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fintrex Finance Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. These financial statements do not include the other information.

Our opinion on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

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

KPMG

judgment and maintain professional skepticism throughout the audit. We also:

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

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

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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

18 June 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021	2020
		Rs.	Rs.
Gross income	6	1,625,409,339	1,970,881,431
Interest income	7	1,549,447,524	1,892,153,447
Interest expenses	8	(510,690,580)	(772,622,806)
Net interest income		1,038,756,944	1,119,530,641
Other operating income	9	75,961,815	78,727,984
Total operating income		1,114,718,759	1,198,258,625
Impairment charge on loans and receivables	21.1	(236,407,010)	(612,165,907)
Net operating income		878,311,749	586,092,718
Operating expenses			
Personnel expenses	10	(267,021,007)	(196,260,408)
Premises, equipment and establishment expenses		(69,473,593)	(62,407,312)
Depreciation and amortisation charges		(63,090,451)	(56,155,485)
Other operating expenses		(142,406,667)	(178,796,020)
Operating profit before Value Added Tax (VAT) on financial services		336,320,031	92,473,493
VAT on financial services		(85,524,988)	(36,676,447)
NBT on financial services		-	(4,465,984)
Debt repayment levy		-	(21,295,784)
Profit before income tax expense	11	250,795,043	30,035,278
Income tax (expense) / benefit	12	(56,480,001)	2,036,642
Profit for the year		194,315,042	32,071,920
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on employee benefits	32.1	(297,272)	665,475
Deferred tax Effect on employee benefits	33.1	71,345	(186,333)
Items that are or may be reclassified to profit or loss			
Fair value gain on treasury bond during the year		1,728,331	4,916,124
Other comprehensive income for the year, net of tax		1,502,404	5,395,266
Total comprehensive income for the year		195,817,446	37,467,186
Earnings per share			
Basic earnings per share	13.1	1.10	0.21

The Notes annexed are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

	Note	2021	2020
		Rs.	Rs.
ASSETS			
Cash and cash equivalents	14	**166,532,603**	15,054,441
Financial investments at amortised cost	15	**181,659,066**	277,395,179
Financial assets measured at fair value through other comprehensive income	16	**56,919,879**	55,191,548
Finance lease receivables	17	**5,019,491,970**	6,231,819,620
Hire purchase receivables	18	**109,474**	636,639
Loans and advances to other customers	19	**3,346,999,886**	965,251,690
Factoring receivables	20	**2,822,431**	4,019,274
Other receivables	22	**45,502,425**	34,010,908
Tax receivables	23	**6,500**	36,164,060
Investment property	24	**6,800,000**	6,800,000
Right of use assets	25.1	**61,904,892**	67,054,856
Intangible assets	26	**17,952,514**	22,395,741
Property, plant and equipment	27	**38,710,269**	56,634,295
Total assets		**8,945,411,909**	7,772,428,251
LIABILITIES			
Bank overdrafts		**125,464,284**	515,678,118
Financial liabilities at amortised cost due to customers	28	**455,374,458**	187,011,537
Interest bearing loans and borrowings	29	**5,705,517,080**	4,756,931,105
Lease liabilities	25.2	**64,897,900**	69,865,284
Liabilities of FBIL customers	30	**962,059**	962,059
Current tax liabilities		**48,389,541**	-
Trade and other payables	31	**278,916,108**	146,645,603
Employee benefits	32	**11,904,906**	9,027,972
Deferred tax liabilities	33	**19,357,692**	47,496,138
Total liabilities		**6,710,784,028**	5,733,617,816
EQUITY			
Stated capital	34	**1,769,559,710**	1,769,559,710
Statutory reserve fund	35	**37,589,687**	27,885,231
Fair value through other comprehensive income reserve	36	**8,586,929**	6,858,598
Retained earnings	37	**418,891,555**	234,506,896
Total equity		**2,234,627,881**	2,038,810,435
Total liabilities and equity		**8,945,411,909**	7,772,428,251
Contingent liabilities and commitments	40	**241,792,512**	25,147,620
Net assets per share (Rs.)		**12.63**	13.42

The Notes annexed are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

We certify that the Financial Statements are prepared and presented in Compliance with the requirements of the Companies Act No.7 of 2007.

(Sgd.)
D J Withanachchi
Chief Financial Officer

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

The Board of directors is responsible for the preparation and presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board of Directors;

(Sgd.)
A D Gunewardene
Chairman

(Sgd.)
K D Bernard
Director

Colombo,
18 June 2021

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Statutory Reserve Fund	Fair Value through other Comprehensive income Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2019	1,340,294,510	26,257,678	1,942,474	203,583,387	1,572,078,049
Total comprehensive income for the year					
Profit for the year	-	-	-	32,071,920	32,071,920
Other comprehensive income					-
Actuarial loss on employee benefits	-	-	-	665,475	665,475
Deferred tax effect on employee benefits	-	-	-	(186,333)	(186,333)
Changes in fair value through other comprehensive income investments	-	-	4,916,124	-	4,916,124
Total other comprehensive income for the year	-	-	4,916,124	479,142	5,395,266
Total comprehensive income for the year			4,916,124	32,551,062	37,467,186
Other movements in equity					
Share issue	429,265,200	-	-	-	429,265,200
Transferred to statutory reserve fund	-	1,627,553	-	(1,627,553)	-
Balance as at 31 March 2020	1,769,559,710	27,885,231	6,858,598	234,506,896	2,038,810,435
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**-**	**194,315,042**	**194,315,042**
Other comprehensive income					**-**
Actuarial loss on employee benefits	**-**	**-**	**-**	**(297,272)**	**(297,272)**
Deferred tax effect on employee benefits	**-**	**-**	**-**	**71,345**	**71,345**
Changes in fair value through other comprehensive income investments	**-**	**-**	**1,728,331**	**-**	**1,728,331**
Total other comprehensive income for the year	**-**	**-**	**1,728,331**	**(225,927)**	**1,502,404**
Total comprehensive income for the year	**-**	**-**	**1,728,331**	**194,089,115**	**195,817,446**
Other movements in equity					
Transferred to statutory reserve fund	**-**	**9,704,456**	**-**	**(9,704,456)**	**-**
Balance as at 31 March 2021	**1,769,559,710**	**37,589,687**	**8,586,929**	**418,891,555**	**2,234,627,881**

The Notes annexed are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the Year Ended 31 March,	2021	2020
	Rs.	Rs.
Cash flows from operating activities		
Interest received	1,519,157,498	1,834,411,146
Interest payments	(510,690,580)	(772,622,806)
Hiring rental received	7,608,801	17,987,306
Receipts from financial investments	21,260,258	31,890,388
Receipts from other operating activities	72,838,746	75,855,675
Cash payments to employees and suppliers	(559,942,936)	(497,074,092)
Operating profit before changes in operating assets and operating liabilities (Note (a))	550,231,787	690,447,617
(Increase) / decrease in operating assets		
Net investment in loans and advances	1,404,103,548)	54,474,372
Net investment / (withdrawal) of fixed deposits	87,591,452	(85,000,000)
Net investment / (withdrawal) of Repos	(85,000,000)	-
Net Investment in treasury bills	96,545,898	72,021,389
Net increase in other operating assets	(14,060,958)	(17,347,700)
Increase / (decrease) in operating liabilities		
Other financial liabilities due to customers	268,362,921	(346,078,918)
Net increase / (decrease) in other liabilities	132,270,505	(172,343,811)
	(368,161,943)	196,172,949
Gratuity paid	(1,903,657)	(671,386)
Income tax paid	-	(56,441,620)
Net cash flows generated / (used) in operating activities	(370,065,600)	139,059,943
Cash flows from investing activities		
Purchase of intangible assets	(5,542,410)	(8,167,316)
Purchase of property, plant and equipment	(12,387,266)	(20,584,022)
Proceeds from disposal of property, plant and equipment	2,590,060	3,234,813
Net cash flows used in investing activities	(15,339,616)	(25,516,525)

STATEMENT OF CASH FLOWS

For the Year Ended 31 March,	2021	2020
	Rs.	Rs.
Cash flows from financing activities		
Net proceeds from loans and borrowings	948,585,975	(712,570,846)
Proceeds from right-issue	-	429,265,200
Payment of lease liabilities	(21,488,762)	(18,267,942)
Net cash flows generated / (used) in financing activities	927,097,213	(301,573,588)
Net increase / (decrease) in cash and cash equivalents during the year	541,691,996	(188,030,169)
Cash and cash equivalents at the beginning of the year	(500,623,677)	(312,593,508)
Cash and cash equivalents at the end of the year (Note (b))	41,068,319	(500,623,677)
Note (a) : reconciliation of profit before tax with cash flows from operating activities		
Profit before income tax expense	250,795,043	30,035,278
Depreciation of property, plant and equipment	27,478,092	25,964,203
Depreciation of right-to-use asset	25,626,722	21,078,370
Amortization of intangible assets	9,985,637	9,112,912
Provision for gratuity	4,483,319	2,827,863
Impairment charge on loans and advances	236,407,010	612,165,907
Exchange gain/(loss)	(64,840)	-
Written back of unidentified deposits	(3,058,229)	(2,872,309)
Change in interest income receivables	(1,420,967)	(7,864,607)
	550,231,787	690,447,617
Note (b) : reconciliation of cash & cash equivalents (Note 14)		
Cash in hand and cash at banks	166,532,603	15,054,441
Bank overdrafts	(125,464,284)	(515,678,118)
	41,068,319	(500,623,677)

The Notes annexed are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 General

Fintrex Finance Limited is a limited liability Company domiciled in Sri Lanka under the provisions of Companies Act. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The Company (which was previously known as First Barakah Investments Limited), changed its name to Melsta Regal Finance Limited with effect from 9 February 2012 consequent to the acquisition of its 100% controlling stake by Melstacorp PLC. The Company was then acquired by Bluestone One (Pvt) Ltd on 06 April 2018 and it is now named as Fintrex Finance Ltd with effect from 03rd September 2018.

The registered office and the Principal place of business of the Company is located at No. 851, Dr. Danister De Silva Mawatha, Colombo-14.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company comprised of providing loans and advances, lease financing, hire purchase financing, factoring, trade finance, hiring and mobilizing public deposits in forms of savings and term deposits. The Company has obtained the registration under Finance Business Act No. 42 of 2011 on 10 February 2012. The finance leasing operation commenced subsequent to the registration under Finance Leasing Act No 56 of 2000 on 26 August 2012.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent and Ultimate Parent Entity

-The Company's immediate parent is Bluestone 1(Pvt) Limited which is incorporated in Sri Lanka.

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of Companies Act No. 7 of 2007 and Finance Business Act No. 42 of 2011 and subsequent amendments thereto.

2.2 Responsibility of Financial Statements

Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company for the year ended 31 March 2021 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 17 June 2021.

2.4 Basis of Measurement

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

Investment Properties initially measured at cost and subsequently measured at Fair Value	Note 24
Financial Assets classified as fair value through other comprehensive income (FVOCI) are measures at fair value	Note 16
Liability for Defined Benefit Obligation carried at present value of Defined Benefit Obligations, calculated using projected unit credit method	Note 32

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF ACCOUNTING (CONT'D...)

2.5 Functional and Presentation Currency

These Financial Statements are presented in the Sri Lankan rupees being, the functional and presentation currency unless indicated otherwise.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Use of Estimates and Judgments

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Impact of COVID-19 pandemic

The Company considered the impact of COVID-19 in preparing the Financial Statements in line with the circulars and guidelines issued by the CBSL and the CA Sri Lanka. While the specific areas of judgment may not change, the impact of COVID-19 resulted in the application of further judgment within those areas due to the evolving nature of the pandemic and the limited recent experience of the economic and financial impacts of such an event. Further, changes to estimates were made in the measurement of Company's assets where applicable.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/ or in the relevant note to Financial Statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

2.7 Use of Estimates and Judgments

a) Judgments

Classification and Impairment of Financial Assets

The Company used judgments when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Company also used judgments when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

b) Assumptions and estimation uncertainties

2.7.1 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management has assessed the existing and anticipated effects of COVID – 19 on the Company, and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

2.7.2 Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The Company uses estimates when determining inputs into the ECL measurement model, including incorporation of forward looking information. This includes an element of management's judgment, in particular for

NOTES TO THE FINANCIAL STATEMENTS

the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances. The valuation of financial instruments is described in more detail in Note 46.

2.7.3 Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.7.4 Impairment losses on Loans and Receivables

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. 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.

If impairment is not required based on the individual assessment all such individually significant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics. This is required to determine whether a 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 account of data from the loan portfolio (such as aging buckets, levels of arrears, industries, etc.), and judgments on the effect of concentration of risks and economic data.

2.7.5 Impairment for Financial Assets classified as Fair Value through Other Comprehensive Income

The Company reviews its securities classified as Available-for-Sale Financial Assets at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Company also records impairment charges on Available-for-Sale Financial Assets when there has been a significant or prolonged decline in the Fair Value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

2.7.6 Defined Benefit Obligations

The value of the defined benefit obligations are determined using actuarial valuation technique. The actuarial valuation involves making assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 32 for the assumptions used.

2.7.7 Useful Lifetime of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7.8 Fair Valuation of Investment Property

The Company measures Investment Property at fair value with changes in fair value being recognized in the Profit or Loss. The Company engages independent professional valuers to assess fair value of Investment Property. The key assumptions used to determine the fair value of the Investment provided in Note 24.

2.7.9 Commitment and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PRESENTATION (CONT'D...)

2.7 Use of Estimates and Judgments (Cont'd...)

2.7.10 SLFRS 16 – Leases

2.7.10.1 Determination of the lease term for lease contracts with renewal and termination options

(Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2.7.10.2 Estimating the incremental borrowing rate

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease).The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.8 Presentation of Financial Statements

The Company assets and liabilities in the Statement of Financial Position broadly by nature and has listed in an order that reflects their relative liquidity and maturity patterns.

3. CHANGES IN ACCOUNTING POLICIES

Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the Financial Statements of, nor is there expected to be any future impact to, the Company.

Amendments to the conceptual framework for financial reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality is defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition is adding guidance on different measurement basis, and

NOTES TO THE FINANCIAL STATEMENTS

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

These amendments had no impact on the financial statements of the Company

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Foreign Currency Translation

Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the exchange rates as at that date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate at the dates of the transactions.

Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate that the fair value was determined. Foreign exchange differences arising on translation are recognized in profit or loss.

4.2 Revenue and Expense Recognition

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgment.

The Company has adopted SLFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e.1 January 2018)

4.2.1 Interest

Interest income and expense are recognized in Statement of Profit or Loss and Other Comprehensive Income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or,

where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in the Statement of Profit or Loss and Other Comprehensive Income include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.
- Interest income on available-for-sale investment securities calculated on an effective interest basis.

Once a financial asset or a Company of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.2.2 Fees and Commission

Fee and commission income, including account servicing fees and placement fees are recognized as the related services are performed. Fee and commission expense relate mainly to transaction and service fees which are expensed as the services are received.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.2 Revenue and Expense Recognition (Cont'd...)

4.2.3 Finance Lease Income

Assets leased to customers to whom the Company transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

4.2.4 Hiring Rental Income

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

4.2.5 Sale and Repurchase Agreements

Where government securities are sold subject to a commitment to repurchase them at a predetermined price (Reverse repos), the consideration paid is recognized in the Statement of Financial Position and the difference between sale and repurchase price is recognized as net gain from financial investments recorded under interest income.

4.2.6 Gain or Loss on Sale of Property, Plant and Equipment

Recognized as income in the period in which the sale occurs and is classified as other operating income.

4.2.7 Other Expenses

All other expenses are recognized on an accrual basis.

4.2.8 Income Tax Expense

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

4.2.8.1 Current Tax

The amount of current tax payable or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or

subsequently enacted at the reporting date in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 as amended by subsequent legislation. However, Taxable income for finance leases contracted prior to 01 April 2018 is required to be computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006; Current tax expense includes any adjustment to the payable in respect of previous years.

Current tax liabilities are offset only if certain criteria are met.

4.2.8.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is measured at the tax rate that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if any.

The net increase/decrease in the carrying amount of the deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense in the Statement of Profit or Loss and Other Comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.2.9 Value Added Tax (VAT) on Financial Services

The value base for value added tax on financial services for the Company is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates instead of the rates adopted in the Financial Statements. The value added tax rate is 15% on the value base for value added tax and is a disallowed expense for the purpose of the income tax liability as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

4.2.10 Deposit Insurance Scheme

In terms of the Finance Companies Direction No. 2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 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. 01 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 01 October 2010.

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

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No. 03 of 2008 on Corporate Governance of Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of 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 eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

4.3 Assets and Liabilities and Basis of Measurement

4.3.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks, and money at call & short notice. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of unfavorable balances.

4.3.2 Financial Instruments

4.3.2.1 Recognition and Initial Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.3 Assets and Liabilities and Basis of Measurement (Cont'd...)

4.3.2 Financial Instruments (Cont'd...)

4.3.2.2 Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

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

Business model assessment

With effect from April 1, 2018, the Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed and information is provided to management.

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.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

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

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

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

The Company holds a portfolio of long-term fixed-rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers

NOTES TO THE FINANCIAL STATEMENTS

have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

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

Financial Liabilities

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

4.3.2.3 Derecognition Financial Assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

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

Financial Liabilities

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

Modification of Financial Assets and Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

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

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.3 Assets and Liabilities and Basis of Measurement (Cont'd...)

4.3.2 Financial Instruments (Cont'd...)

4.3.2.3 Derecognition Financial Assets (Cont'd...)

Modification of Financial Assets and Liabilities (Cont'd...)

Financial Assets (Cont'd...)

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

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

Financial Liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

4.3.2.4 Fair Value Measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant

NOTES TO THE FINANCIAL STATEMENTS

observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e, the fair value of the consideration given or received.

If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46.

4.3.2.5 Impairment losses on financial assets

Recognition of ECL

The Company recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- lease receivables;
- No impairment loss is recognised on equity investments.
- The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

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

Measurement of ECL

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

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

Credit-Impaired Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.3 Assets and Liabilities and Basis of Measurement (Cont'd...)

4.3.2 Financial Instruments (Cont'd...)

4.3.2.5 Impairment losses on financial assets (Cont'd...)

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 180 days or classified as non-performing under CBSL Direction No. 3 of 2006 is considered credit-impaired.

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities;
- debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the Statement of Profit or Loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.3.3 Securities Purchased Under Resale Agreements

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4.3.4 Impairment of Non-Financial Assets

4.3.4.1 Tangible Non-Financial Assets

The Company reviews on date of the Statement of Financial Position whether the carrying amount of the property and equipment are lower than their recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the higher of the market value of the asset less estimated cost of disposal and its value in use.

The Company reviews on the Statement of Financial Position date whether the carrying amount of computer application software is lower than the recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the value in use.

NOTES TO THE FINANCIAL STATEMENTS

4.3.5 Property, Plant and Equipment

4.3.5.1 Basis of Recognition

The cost of property and equipment comprising computers, office equipment, furniture fixtures and fittings and motor vehicles is recognized as an asset if it is probable that future economic benefits associated with the property and equipment will flow to the Company and cost of equipment can be measured reliably.

4.3.5.2 Measurement at Recognition

The cost of an asset comprises its purchase price or cost of construction and any directly attributable costs of bringing the asset to working condition for its intended use. The assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

4.3.5.3 Subsequent Measurement

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to expense during the financial period in which they are incurred.

4.3.5.4 Depreciation

The depreciation is provided for on the basis outlined below. Depreciation is provided on a straight-line basis such that the cost of the asset is depreciated over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Motor Vehicle
- 5 Years

Computer equipment
- 4 Years

Office equipment
- 5 Years

Furniture and fittings
- 5 Years

Mobile Devices and Tabs
- 2 Years

Depreciation on Motor Vehicle-Hiring Fleet is recognized on a reducing balance basis over the estimated useful life.

Depreciation commences in the date the asset is available for use in the business of the Company and ceases in the date of disposal or end of its useful life time. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

4.3.5.5 De-recognition

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

4.3.5.6 Impairment

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

4.3.6 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 the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change there in recognized in Profit or Loss.

Investment properties are derecognized when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses retirement or disposal is recognized in the profit or loss in the year of retirement or disposal.

4.3.7 Intangible Assets

4.3.7.1 Basis of Recognition

All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Statement of Financial Position under the category intangible asset and carried at cost less accumulated amortization and any impairment losses.

The initial acquisition cost comprises license fee paid at the inception, import duties, non-refundable taxes and levies, cost of customizing the software to meet the specific requirements of the Company and other directly attributable expenditure in preparing the asset for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.3 Assets and Liabilities and Basis of Measurement (Cont'd...)

4.3.7 Intangible Assets (Cont'd...)

4.3.7.2 Subsequent Expenditure

The initial cost is enhanced by subsequent expenditure incurred by further customization to meet ancillary transaction processing and reporting requirements tailor-made for the use of the Company constituting an improvement to the software. Subsequent expenditure on software 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.

4.3.7.3 Amortization

The amortization is provided for on the basis outlined below. Amortization is provided on a straight-line basis such that the cost of the asset is amortized over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Computer Software
- 4 Years

Software Core System
-5 Years

ATM License Fee
-10 Years

VISA License Fee
-10 Years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

4.3.7.4 De-recognition

An intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.3.8 Leases

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

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

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

4.3.8.1 Right-of-use Asset

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

The right-of-use assets is also adjusted for certain subsequent re-measurements of the lease liability.

After the commencement date, Company measures the right-of-use asset on cost model.

4.3.8.2 Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

The right-of-use assets are subject to impairment.

4.3.8.3 Lease Liability

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources

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and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments fixed payments, including in-substance fixed payments

The lease Liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimation of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revision in the in-substance fixed lease payment.

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

After the commencement date, Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

4.3.8.4 Presentation in the statement of financial position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its' statement of financial position.

4.3.9 Employee Benefits

4.3.9.1 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Provision for gratuity on the employees of the Company are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits' (LKAS - 19). The actuarial valuation was carried out by professionally qualified firm of actuaries, as at 31 March 2021. The valuation method used by the actuary is "Projected Unit Credit Method". The Company recognizes any actuarial gains & losses

arising from defined benefit plan immediately in Other Comprehensive income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss. The assumption based on which the results of actuarial valuation was determined are included in note to the financial statements.

The Company provide for Gratuity under the payment of Gratuity Act No. 12 of 1983. Provision for Gratuity has been made for employees who have completed five (5) year of services with the company.

The liability is not externally funded.

4.3.9.2 Defined Contribution Plan

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

4.3.9.3 Employee's Provident Fund (EPF)

The Company and employees contribute 12% and 8% respectively on the basic salary of each employee to the Employee's Provident Fund managed by Central Bank of Sri Lanka.

4.3.9.4 Employee's Trust Fund (ETF)

The Company contributes 3% of the basic salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.3 Assets and Liabilities and Basis of Measurement (Cont'd...)

4.3.10 Provision for Liabilities

A provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects.

current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

4.3.11 Commitments and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured.

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Pending legal claims against the company form part of contingencies.

4.4 Subsequent Events

All material events which occur between the reporting date and the date on which the Financial Statements are authorized for issue, and the financial impact on the condition of the assets and liabilities are disclosed in the Financial Statements.

4.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows' whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and cash equivalents include cash in hand, balances with banks, placements with banks and treasury bills of 3 months maturity at the time of issue.

4.6 Earnings per Share (EPS)

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.8 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)

4.8 Comparative Information (Cont'd...)

previous period for all amounts reported in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability.

5. NEW AND AMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly the Company has not early adopted them in preparing these financial statements.

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

(i) Proceeds before intended use (amendments to LKAS 16 - Property, plant and equipment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from

NOTES TO THE FINANCIAL STATEMENTS

selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(ii) Classification of liabilities as current or non-current (Amendments to LKAS 1 – Presentation of Financial Statements)

The amendment aims to promote consistency in applying the requirements by helping companies to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(iii) Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37 -Provisions, Contingent Liabilities and Contingent Assets)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Interest benchmark reform phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments in interest rate benchmark reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

(v) Annual Improvements to SLFRS Standards issued during 2018–2020

SLFRS issued improvements to standards issued during the period 2018 to 2020 with improved clarifications and amendments to SLFRS 1, SLFRS 9, SLFRS 9 and LKAS 41.

NOTES TO THE FINANCIAL STATEMENTS

	For the Year Ended 31 March,	2021	2020
		Rs.	Rs.
6.	**Gross income**		
	Interest income (Note 7)	1,549,447,524	1,892,153,447
	Net other operating income (Note 9)	75,961,815	78,727,984
		1,625,409,339	1,970,881,431
7.	Interest income		
	Interest income on finance leases	987,798,087	1,376,465,346
	Interest income on hire purchases	-	66,150
	Interest income on vehicle loan	84,658,723	-
	Interest income on secured loans	166,239,430	184,781,893
	Interest income on factoring	-	46,135,189
	Hiring rental income	7,608,801	17,987,306
	Interest income on overdue rentals from customers	209,796,804	197,519,804
	Net gain on termination and early settlement of lending facilities	72,085,421	37,307,371
	Interest income on government securities	13,285,528	29,284,904
	Interest income on placement with banks and other financial institutions	7,974,730	2,605,484
		1,549,447,524	1,892,153,447
8.	**Interest expenses**		
	Interest expense on other financial liabilities due to customers	23,767,066	51,539,980
	Interest expense on interest bearing loans and borrowings	478,542,030	714,537,388
	Interest expense on lease liabilities	8,381,484	6,545,438
		510,690,580	772,622,806
9.	**Other operating income**		
	Other finance charges	32,811,957	30,580,214
	Recoveries from written-off contracts	7,569,148	9,176,314
	Fee and commission income	29,867,581	36,099,147
	Exchange gain	64,840	-
	Written back of unidentified deposits	3,058,229	2,872,309
	Profit on disposal of hiring fleet	1,695,060	-
	Profit from disposal of property, plant and equipment	895,000	-
		75,961,815	78,727,984

NOTES TO THE FINANCIAL STATEMENTS

	For the Year Ended 31 March,	2021	2020
		Rs.	Rs.
10.	**Personnel expenses**		
	Salaries and wages	195,465,659	154,550,202
	Defined contribution plan costs -EPF and ETF	28,858,145	22,869,905
	Defined benefit plan costs - retirement gratuity (Note 32.2)	4,483,319	2,827,863
	Staff bonus	22,199,913	466,474
	Other staff related costs	16,013,971	15,545,964
		267,021,007	196,260,408
10.1	No. of employees as at the year end	246	218

11. Profit before income tax expense

Profit before income tax expense is stated after charging all expenses including the followings;

For the Year Ended 31 March,	2021	2020
	Rs.	Rs.
Directors' fees and emoluments	5,100,000	8,400,000
Depreciation of property, plant and equipment (Note 27)	27,478,092	25,964,203
Depreciation on right of use asset (Note 25)	25,626,722	21,078,370
Amortisation of intangible assets (Note 26)	9,985,637	9,112,912
Legal expenses	6,481,891	8,013,320
Secretarial fees	600,000	600,000
Auditors' remuneration		
- Statutory audit	529,200	472,500
- Non audit fees	457,800	420,000
Crop Insurance Levy	1,999,476	1,128,796

12. Income tax expense

The income tax provision of the company is calculated on its adjusted profits at the standard rate of 24% (2020: 28%), in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

For the Year Ended 31 March,	2021	2020
	Rs.	Rs.
Recognized in the profit or loss		
Current income tax expense (Note 12.1)	82,259,699	9,748,466
Prior years under provision	2,287,403	4,901,083
	84,547,102	14,649,549

NOTES TO THE FINANCIAL STATEMENTS

12. Income tax expense (cont'd...)

For the Year Ended 31 March,	2021	2020
	Rs.	Rs.
Amounts reversing during the year	(24,867,486)	(16,686,191)
Impact of rate changes	(3,199,615)	-
(Reversal) on deferred tax (Note 33.1)	(28,067,101)	(16,686,191)
Income tax (expense) / benefit	56,480,001	(2,036,642)
Recognized in the other comprehensive income		
Income tax expense recognised in other comprehensive income		
Charge / (reversal) on deferred tax (Note 33.1)	(71,345)	186,333
	(71,345)	186,333

12.1 Numerical reconciliation of accounting profits to income tax expense

	2021		
For the year ended 31 March,	Leasing Business	Other Business	Total
	Rs.	Rs.	Rs
Accounting profit before tax	244,343,355	6,451,689	250,795,044
Adjustments			
Disallowable expenses	238,275,871	159,566,325	397,842,196
Capital portion of lease rentals receivables	514,704,939	-	514,704,939
Allowable expenses	(721,209,555)	(99,383,880)	(820,593,435)
Business profit / (loss)	276,114,611	66,634,134	342,748,744
Taxable business profit			342,748,744
Exempt income			-
Total statutory income			342,748,744
Taxable income			342,748,744
Current income tax expense @ 24%			82,259,699

NOTES TO THE FINANCIAL STATEMENTS

	2020		
For the year ended 31 March,	Leasing Business	Other Business	Total
	Rs.	Rs.	Rs.
Accounting profit before tax	2,779,374	27,255,904	30,035,278
Adjustments			
Disallowable expenses	78,893,700	27,690,282	106,583,982
Capital portion of lease rentals receivables	1,088,205,636	-	1,088,205,636
Allowable expenses	(1,033,115,924)	(156,893,024)	(1,190,008,948)
Business profit / (loss)	136,762,786	(101,946,838)	34,815,948
Taxable business profit			34,815,948
Exempt income			-
Total statutory income			34,815,948
Taxable income			34,815,948
Current income tax expense @ 28%			9,748,466

13. Earnings per share

13.1 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to Ordinary Shareholders and the weighted average number of shares outstanding during the Year.

For the Year Ended 31 March,	2021	2020
	Rs.	Rs.
Profit attributable to equity holders of the company (Rs.)	**194,315,042**	32,071,921
Weighted average numbers of ordinary shares	**176,955,971**	151,915,501
Basic earnings per share (Rs.)	**1.10**	0.21

	As at 31 March,	2021	2020
		Rs.	Rs.
14	**Cash and cash equivalents**		
	Cash in hand	**1,381,024**	850,025
	Balances with bank and other financial institutions	**165,151,579**	14,204,416
		166,532,603	15,054,441

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
15	**Financial investments at amortised cost**		
	Investments in treasury bills	96,596,189	189,803,727
	Investments in repurchase agreement	85,062,877	-
	Investments in fixed deposits	-	87,591,452
		181,659,066	277,395,179

	As at 31 March,	2021	2020
		Rs.	Rs.
16	**Financial assets measured at fair value through other comprehensive income**		
	Credit Information Bureau of Sri Lanka	331,000	331,000
	Investments in treasury bonds	56,588,879	54,860,548
		56,919,879	55,191,548

	As at 31 March,	2021	2020
		Rs.	Rs.
17	**Finance lease receivables**		
	Gross lease rental receivables	6,911,842,901	9,065,268,515
	Unearned income	(1,467,780,652)	(2,060,434,299)
	Total lease rental receivables	5,444,062,249	7,004,834,216
	Allowance for individual impairment (Note 17.3.1)	(47,520,325)	(128,615,065)
	Allowance for collective impairment (Note 17.3.2)	(377,049,954)	(644,399,531)
		5,019,491,970	6,231,819,620
17.1	**Finance lease receivables within one year**		
	Gross lease rental receivables	3,271,609,761	4,385,209,014
	Unearned income	(718,116,365)	(1,046,194,735)
	Total lease rental receivables	2,553,493,396	3,339,014,279
	Allowance for individual impairment	(22,289,024)	(61,307,309)
	Allowance for collective impairment	(176,852,233)	(307,167,760)
		2,354,352,139	2,970,539,210

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
17.2	**Finance lease receivables from one to five years**		
	Gross lease rental receivables	3,640,233,140	4,680,059,501
	Unearned income	(749,664,287)	(1,014,239,564)
	Total lease rental receivables	2,890,568,853	3,665,819,937
	Allowance for individual impairment	(25,231,301)	(67,307,756)
	Allowance for collective impairment	(200,197,721)	(337,231,771)
		2,665,139,831	3,261,280,410
17.3.1	**Allowance for individual impairment**		
	Balance as at beginning of the year	128,615,065	45,158,743
	Charge during the year	382,498,068	83,456,322
	Write-off during the year	(463,592,808)	-
	Balance as at end of the year	47,520,325	128,615,065
17.3.2	**Allowance for collective impairment**		
	Balance as at beginning of the year	644,399,531	196,538,143
	Charge / (reversal) during the year	(267,349,577)	447,861,388
	Balance as at end of the year	377,049,954	644,399,531
17.3.3	**Movements in impairment allowance for lease receivables**		
	Balance as at beginning of the year	773,014,596	241,696,886
	Charge during the year	115,148,491	531,317,710
	Write-off during the year	(463,592,808)	-
	Balance as at end of the year	424,570,279	773,014,596
18	**Hire purchase receivables**		
	Gross hire purchase rental receivables	109,474	777,582
	Unearned income	-	-
	Total hire purchase rental receivables	109,474	777,582
	Allowance for individual impairment (Note 18.2.1)	-	(108,415)
	Allowance for collective impairment (Note 18.2.2)	-	(32,528)
	Balance as at end of the year	109,474	636,639

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
18.1	**Hire purchase rentals receivables within one year**		
	Gross hire purchase rental receivables	109,474	777,582
	Unearned income	-	-
	Total hire purchase rental receivables	109,474	777,582
	Allowance for individual impairment	-	(108,415)
	Allowance for collective impairment	-	(32,528)
		109,474	636,639
18.2.1	**Allowance for individual impairment**		
	Balance as at beginning of the year	108,415	113,634
	Charge / (reversal) during the year	433,473	(5,219)
	Write-off during the year	(541,888)	-
	Balance as at end of the year	-	108,415
18.2.2	**Allowance for collective impairment**		
	Balance as at beginning of the year	32,528	37,063
	(reversal) during the year	(32,528)	(4,535)
	Balance as at end of the year	-	32,528
18.2.3	**Movements in impairment allowance for hire purchase receivables**		
	Balance as at beginning of the year	140,943	150,697
	Charge / (reversal) during the year	400,945	(9,754)
	Write-off during the year	(541,888)	-
	Balance as at end of the year	-	140,943

	As at 31 March,	2021	2020
		Rs.	Rs.
19	**Loans & advances to other customers**		
	Loans secured by other assets	2,776,613,193	679,077,330
	Trade finance receivables	767,021,876	409,243,038
	Gross loans & advances to other customers	3,543,635,069	1,088,320,368
	Allowance for individual impairment (Note 19.2.1)	(130,389,546)	(67,290,733)
	Allowance for collective impairment (Note 19.2.2)	(66,245,637)	(55,777,945)
		3,346,999,886	965,251,690

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
19.1	Receivables from one to five years	1,891,333,653	306,611,075
	Receivables within one year	1,455,666,233	658,640,615
		3,346,999,886	965,251,690
19.2.1	**Allowance for individual impairment**		
	Balance as at beginning of the year	67,290,733	62,602,936
	Charge during the year	107,095,244	4,687,797
	Write-off during the year	(43,996,431)	-
	Balance as at end of the year	130,389,546	67,290,733
19.2.2	**Allowance for collective impairment**		
	Balance as at beginning of the year	55,777,945	25,647,248
	Charge during the year	10,467,692	30,130,697
	Balance as at end of the year	66,245,637	55,777,945
19.2.3	**Movements in impairment allowance for loans & advances to other customers**		
	Balance as at beginning of the year	123,068,678	88,250,184
	Charge during the year	117,562,936	34,818,494
	Write-off during the year	(43,996,431)	-
	Balance as at end of the year	196,635,183	123,068,678
20	**Factoring receivables**		
	Net factoring receivables	11,080,411	19,631,720
	Allowance for individual impairment (Note 20.1)	(8,257,980)	(15,612,446)
	Allowance for collective impairment (Note 20.2)	-	-
		2,822,431	4,019,274
20.1	**Allowance for individual impairment**		
	Balance as at beginning of the year	15,612,446	154,037,183
	Charge during the year	7,060,729	49,972,968
	Write-off during the year	(14,415,195)	(188,397,705)
	Balance as at end of the year	8,257,980	15,612,446

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
20.2	**Allowance for collective impairment**		
	Balance as at beginning of the year	-	6,471,183
	(Reversal) during the year	-	(6,471,183)
	Balance as at end of the year	-	-

	As at 31 March,	2021	2020
		Rs.	Rs.
21.	**Allowance for impairment on total loans & receivables**		
21.1	**Impairment charge on loans and receivables**		
	Charge on finance lease, hire purchase, loans & receivables	240,173,101	609,628,235
	Charge / (reversal) on hire rental receivables	(3,766,091)	2,537,672
		236,407,010	612,165,907

21.2 Analysis of Expected Credit Loss model three stages

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 month (12 M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL. The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. It is considered that significant increase in credit risk takes a place when a facility is overdue more than 60 days.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. The Company defines credit impaired and default according to direction issued by CBSL. When a contract past due for more than 180 days is considered as default.

Balance as at 01 April 2020	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs
Finance lease	31,386,355	241,216,039	500,412,202	773,014,596
Hire purchase	-	-	140,943	140,943
Loans & advances	5,715,883	24,082,759	93,270,036	123,068,678
Factoring	-	-	15,612,446	15,612,446
Hiring rental receivables	-	-	4,232,352	4,232,352
	37,102,238	265,298,798	613,667,979	916,069,015

NOTES TO THE FINANCIAL STATEMENTS

Balance as at 01 April 2020	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs
Movement During the Year				
Impairment charge for the year				
Finance lease	(19,335,249)	(135,013,616)	269,497,356	115,148,491
Hire purchase	-	-	400,945	400,945
Loans & advances	6,720,112	(887,372)	111,730,196	117,562,936
Factoring	-	-	7,060,729	7,060,729
Hiring rental receivables	-	-	(3,766,091)	(3,766,091)
	(12,615,137)	(135,900,988)	384,923,135	236,407,010
Write-off during the year				
Finance lease	-	-	(463,592,808)	(463,592,808)
Hire purchase	-	-	(541,888)	(541,888)
Loans & advances	-	-	(43,996,431)	(43,996,431)
Factoring	-	-	(14,415,195)	(14,415,195)
	-	-	(522,546,322)	(522,546,322)

Balance as at 31 March 2021	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs
Finance lease	12,051,106	106,202,423	306,316,750	424,570,279
Hire purchase	-	-	-	-
Loans & advances	12,435,995	23,195,386	161,003,802	196,635,183
Factoring	-	-	8,257,980	8,257,980
Hiring rental receivables	-	-	466,261	466,261
	24,487,101	129,397,809	476,044,793	629,929,703

21.2.1 Stage Transition

	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the year	37,102,238	265,298,798	613,667,979	916,069,015
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from Stage 1	(162,246,058)	56,214,994	106,031,064	-
Transferred from Stage 2	1,049,116	(84,896,715)	83,847,599	-
Transferred from Stage 3	46,155	5,452,187	(5,498,342)	-
Write-off during the year	-	-	(522,546,322)	(522,546,322)
Net remeasurment of loss allowance	148,535,650	(112,671,455)	200,542,815	236,407,010
Balance as at the end of the year	24,487,101	129,397,809	476,044,793	629,929,703

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
21.	**Allowance for impairment on total loans & receivables**		
21.3	**Allowance for individual impairment**		
	Balance as at beginning of the year	211,626,659	261,912,496
	Charge during the Year	497,087,514	138,111,868
	Write-off during the Year	(522,546,322)	(188,397,705)
	Balance as at end of the year	186,167,851	211,626,659
21.4	**Allowance for collective impairment**		
	Balance as at beginning of the year	700,210,004	228,693,637
	Charge / (reversal) during the Year	(256,914,413)	471,516,367
	Balance as at end of the year	443,295,591	700,210,004
21.5	**Allowance for total impairment**		
	Balance as at beginning of the year	911,836,663	490,606,133
	Charge during the Year	240,173,101	609,628,235
	Write-off during the year	(522,546,322)	(188,397,705)
	Balance as at end of the year	629,463,442	911,836,663
21.6	**Product wise individual impairment**		
	Balance as at beginning of the year	211,626,659	261,912,496
	Finance lease receivables	(81,094,740)	83,456,322
	Hire purchase receivables	(108,415)	(5,219)
	Loans & advances to other customers	63,098,813	4,687,797
	Factoring receivables	(7,354,466)	(138,424,737)
	Balance as at end of the year	186,167,851	211,626,659
21.7	**Product wise collective impairment**		
	Balance as at beginning of the year	700,210,004	228,693,637
	Finance lease receivables	(267,349,577)	447,861,388
	Hire purchase receivables	(32,528)	(4,535)
	Loans & advances to other customers	10,467,692	30,130,697
	Factoring receivables	-	(6,471,183)
	Balance as at end of the year	443,295,591	700,210,004

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
21.8	**Loan product wise total impairment**		
	Balance as at beginning of the year	911,836,663	490,606,133
	Finance lease receivables	(348,444,317)	531,317,710
	Hire purchase receivables	(140,943)	(9,754)
	Loans & advances to other customers	73,566,505	34,818,494
	Factoring receivables	(7,354,466)	(144,895,920)
	Balance as at end of the year	629,463,442	911,836,663

Impact of covid-19 pandemic on Expected Credit Losses

The Company measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by SLFRS 9 Financial Instruments. The Company's accounting policy for the recognition and measurement of the allowance for expected credit losses is described in Note 4.3.2.5 of Financial Statements for the year ended 31 March 2021.

Collectively assessed allowance for expected credit losses

During the year collectively assessed allowance for expected credit losses decreases by Rs. 256,914,414/-. In estimating collectively assessed ECL, the company makes Judgments and assumptions in relation to the selection of an estimation technique or modeling methodology, noting that the modeling of the Company's ECL estimates are complex and the selection of inputs for those models, and the interdependencies between those inputs.

The modeling methodology applied in estimating in ECL in these Financial Statements is consistent with the applied in Financial Statements for the year ended 31 March 2021.

The Judgments and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgments and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the economy. Accordingly, the Company's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Illustrated below the key Judgment and assumptions in relation to the model inputs.

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the forecast resulting in an understatement of the ECL balance due to uncertainties around:

Collectively assessed allowance for expected credit losses

- The extent and duration of measures to stop or reduce the speed of the spread of COVID-19;
- The extent and duration of the economic down turn, along with the time required for economies to recover;
- The effectiveness of government stimulus measures, in particular their impact on the Magnitude of economic downturn and the extent and the duration of the recovery.

NOTES TO THE FINANCIAL STATEMENTS

ECL - Sensitivity analysis

The uncertainty on the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the Judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL	Impact
	Rs.	Rs.
100% upside scenario	407,723,361	(35,572,229)
100% base scenario	440,092,676	(3,202,915)
100% downside scenario	471,330,276	28,034,685

	As at 31 March,	2021	2020
		Rs.	Rs.
22	**Other receivables**		
	Prepaid expenses	20,316,026	15,263,515
	Advance for rent	16,370,690	14,984,751
	Other receivables	1,769,512	1,302,336
	Hiring rental receivables	7,512,458	6,692,658
	Allowance for individual impairment (Note 22.1)	(466,261)	(4,232,352)
		45,502,425	34,010,908
22.1	**Allowance for individual impairment**		
	Balance as at beginning of the year	4,232,352	1,694,681
	Charge / (reversal) for the year	(3,766,091)	2,537,671
	Balance as at end of the year	466,261	4,232,352
23	**Tax receivables**		
	WHT receivables	6,500	6,500
	ESC receivables	-	7,193,010
	Income tax recoverable	-	28,964,550
		6,500	36,164,060

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
24	**Investment property**		
	Balance as at beginning of the year	**6,800,000**	6,800,000
	Disposal of investment property	**-**	-
	Change in fair value of investment property	**-**	-
	Balance as at end of the year	**6,800,000**	6,800,000

24.1 Details of investment property

Investment property comprise of Lands acquired by the Company and is held for Capital Appreciation purposes. The professional valuation of Investment Property (Lands) of the company has been determined by an external, independent property valuer, M/S Sunil Fernando and Associates (Pvt) Limited, on March 2019. The Fair Value measurements of the Investment Property has been categorized as Level 03 Fair Value hierarchy. During the year the Directors are in the view of that the fair value of such property was reasonably approximate to the fair value determined by the pervious valuation.

The following table shows the valuation techniques used in measuring the Fair Value of Investment Property, as well as the significant unobservable inputs used.

Property Location	Land Extent	Valuation Technique	Significant Observable and Unobservable Inputs	Interrelationship between Key Inputs and Fair Value Measurement
Indiwinna, Hambanthota	1 rood and 1.4 perches	Comparison method of valuation - The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.	Per perch value in Hambanthota region ranges from Rs. 165,000/-	The estimated fair value would increase / (decrease) if comparable property value was higher / (lesser)

	As at 31 March,	2021	2020
		Rs.	Rs.
25	**Right of use assets**		
25.1	**Movement of right of use assets**		
	Cost		
	Balance as at beginning of the year	**88,133,226**	-
	Recognition on initial Application on SLFRS 16	**-**	61,011,663
	Adjusted balance as at beginning of the year	**88,133,226**	61,011,663
	Additions / renewal operating lease during the year	**16,521,378**	27,121,563
	Advance payment made during the year	**3,955,380**	-
	Balance as at end of the year	**108,609,984**	88,133,226

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
	Accumulated depreciation		
	Balance as at beginning of the year	21,078,370	-
	Depreciation charge for the year	25,626,722	21,078,370
	Balance as at 31 March 2021	46,705,092	21,078,370
	Balance as at end of the year	61,904,892	67,054,856
25.2	**Movement in lease liabilities**		
	Balance as at beginning of the year	69,865,284	-
	Recognition on initial Application on SLFRS 16	-	61,011,663
	Adjusted balance as at beginning of the year	69,865,284	61,011,663
	Additions / renewal operating lease during the year	16,521,378	27,121,563
	Accretion of interest	8,381,484	6,545,438
	Payments to lease creditors	(29,870,246)	(24,813,380)
	Balance as at end of the year	64,897,900	69,865,284
25.3	**Amounts recognised in profit or loss**	8,381,484	6,545,438
	Interest on lease liabilities	25,626,722	21,078,370
	Depreciation of right-of-use assets	34,008,206	27,623,808
25.4	**Amounts recognised in statement of cash flows**		
	Operating activities		
	Payment of lease interest	8,381,484	6,545,438
	Financing activities		
	Payment of lease capital	21,488,762	18,267,942
	Total cash outflow for leases	29,870,246	24,813,380

NOTES TO THE FINANCIAL STATEMENTS

		Computer Software	Software - Core System	VISA License Fee	ATM Licensing Fee	Total
			Rs.	Rs.	Rs.	Rs
26	**Intangible assets**					
	Cost					
	Balance as at 01 April 2019	12,797,860	18,382,842	5,460,246	14,985,000	51,625,948
	Additions during the year	4,392,316	3,775,000	-	-	8,167,316
	Balance as at 31 March 2020	17,190,176	22,157,842	5,460,246	14,985,000	59,793,264
	Additions during the year	1,392,410	4,150,000	-	-	5,542,410
	Balance as at 31 March 2021	18,582,586	26,307,842	5,460,246	14,985,000	65,335,674
	Accumulated amortization					
	Balance as at 01 April 2019	9,081,555	13,161,774	1,572,782	4,468,500	28,284,611
	Amortization charge for the year	2,545,854	4,460,854	615,804	1,490,400	9,112,912
	Balance as at 31 March 2020	11,627,409	17,622,628	2,188,586	5,958,900	37,397,523
	Balance as at 01 April 2020	11,627,409	17,622,628	2,188,586	5,958,900	37,397,523
	Amortization charge for the year	2,873,339	5,067,773	546,025	1,498,500	9,985,637
	Balance as at 31 March 2021	14,500,748	22,690,401	2,734,611	7,457,400	47,383,160
	Carrying amount					
	As at 31 March 2021	**4,081,838**	**3,617,441**	**2,725,635**	**7,527,600**	**17,952,514**
	As at 31 March 2020	5,562,767	4,535,214	3,271,660	9,026,100	22,395,741

NOTES TO THE FINANCIAL STATEMENTS

27 Property, plant & equipment

	Motor vehicle-Company fleet	Office equipment	Computer equipment	Furniture & fittings	Motor vehicle-hiring fleet	Mobile devices & tabs	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
Balance as at 01 April 2019	2,162,680	13,201,926	25,831,192	42,061,642	58,358,092	677,300	142,292,832
Additions during the Year	-	1,727,305	10,450,920	6,190,435	-	2,215,362	20,584,022
Disposals	-	-	-	-	(14,771,995)	-	(14,771,995)
Balance as at 31 March 2020	2,162,680	14,929,231	36,282,112	48,252,077	43,586,097	2,892,662	148,104,859
Additions during the Year	-	2,321,908	5,173,225	3,888,285	-	1,003,848	12,387,266
Disposals	(1,892,411)	-	-	-	(25,285,000)	-	(27,177,411)
Balance as at 31 March 2021	270,269	17,251,139	41,455,337	52,140,362	18,301,097	3,896,510	133,314,714
Accumulated Depreciation							
Balance as at 01 April 2019	2,162,680	7,580,252	17,532,944	22,954,324	26,671,575	141,768	77,043,543
Depreciation charge for the year	-	2,079,058	3,816,021	6,067,457	12,945,663	1,056,004	25,964,203
Disposals	-	-	-	-	(11,537,182)	-	(11,537,182)
Balance as at 31 March 2020	2,162,680	9,659,310	21,348,965	29,021,781	28,080,056	1,197,772	91,470,564
Depreciation charge for the year	-	2,778,571	6,308,595	7,605,123	9,356,320	1,429,483	27,478,092
Disposals	(1,892,411)	-	-	-	(22,451,800)	-	(24,344,211)
Balance as at 31 March 2021	270,269	12,437,881	27,657,560	36,626,904	14,984,576	2,627,255	94,604,445
Carrying amount							
As at 31 March 2021	**-**	**4,813,258**	**13,797,777**	**15,513,458**	**3,316,521**	**1,269,255**	**38,710,269**
As at 31 March 2020	-	5,269,921	14,933,147	19,230,296	15,506,041	1,694,890	56,634,295

NOTES TO THE FINANCIAL STATEMENTS

27.1 Cost of fully depreciated assets

Property, plant and equipment included fully depreciated assets amounting to Rs. 60,850,910/- as at 31 March 2021 (As at 31 March 2020 was Rs. 37,270,638/-)

27.2 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2021 specially considering the potential impact from the COVID 19 pandemic. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguards the assets to ensure its future economic value would not diminish.

27.3 There were no items of property, plant and equipment pledged as at 31 March 2021.

	As at 31 March,	2021	2020
		Rs.	Rs.
28	**Financial liabilities at amortised cost due to customers**		
	Savings deposits	31,957,990	49,455,992
	Term deposits	423,416,468	137,555,545
		455,374,458	187,011,537
29	**Interest bearing loans & borrowings**		
	Short term loans	2,275,000,000	2,125,000,000
	Long term loans (Note 29.1)	3,264,250,000	2,617,574,145
	Interest payables	166,267,080	14,356,960
		5,705,517,080	4,756,931,105
29.1	**Movement of long term loans**		
	Balance as at beginning of the year	2,617,574,145	3,295,489,210
	Obtained during the year	1,600,000,000	500,000,000
	Payments made during the year	(953,324,145)	(1,177,915,065)
	Balance as at end of the year	3,264,250,000	2,617,574,145
	Payables within one year	1,560,900,000	312,500,000
	Payables within one to five years	1,703,350,000	2,305,074,145
		3,264,250,000	2,617,574,145

NOTES TO THE FINANCIAL STATEMENTS

29.2 Long term loans analysed by lending institutions

Lending Institution	Outstanding as at 31 March 2021 (Rs.)	Borrowing Terms
Sampath Bank PLC		
Loan 1	129,825,000	Repayable in 48 monthly installments at variable interest rate subject to monthly review. (AWPLR + 2.5% p.a payable monthly, together with applicable statutory taxes)
Loan 2	135,050,000	Security assigned- Lease Receivables of Rs. 562 Mn
Hatton National Bank PLC	462,500,000	Repayable in 59 equal monthly installments of Rs.13.5 Mn and a final installment of Rs.3.5Mn plus interest - applicable variable interest rate (AWPLR + 1.5% (monthly review)) Security assigned- Lease Receivable of Rs.602Mn.
Peoples' Bank PLC	160,416,667	Repayable in 48 monthly installments at variable interest rate subject to quarterly review. Security Assigned-Lease receivables of Rs.192.5Mn (AWPLR + 3% p.a.)
	108,333,333	Repayable in 48 monthly installments at variable interest rate subject to quarterly review (AWPLR + 3% p.a.) Security Assigned-Lease receivables of Rs.130Mn.
	84,375,000	Repayable in 48 month installments at variable interest rate subject to quarterly review .(AWPLR + 3% p.a.) Security Assigned-Lease receivables of Rs.102Mn.
	87,500,000	Repayable in 48 monthly installments at variable interest rate subject to quarterly review (AWPLR + 3% p.a.) Security Assigned-Lease receivables of Rs.105Mn.
	89,583,333	Repayable in 48 monthly installments at variable interest rate subject to quarterly review (AWPLR + 3% p.a.) Security Assigned-Lease receivables of Rs.107.5Mn.
	229,166,667	Repayable in 48 monthly installments at variable interest rate subject to quarterly review (AWPLR + 3% p.a.) Security Assigned-Lease receivables of Rs.275Mn.
Nation Trust Bank PLC	136,000,000	Repayable in 35 monthly installments of Rs. 14Mn and Final installment of Rs10Mn plus interest - the applicable variable interest rate subject to quarterly review (AWPLR + 2.5%) Security assigned - Rs.177 Mn over lease receivables over 60% of such lease portfolio consist of four-wheeler and balance consist of two wheeler.
Seylan Bank PLC	391,500,000	Repayable in 60 monthly installments and the applicable fixed interest rate. Security Assigned-Lease receivables of Rs.509Mn.

NOTES TO THE FINANCIAL STATEMENTS

	As at 31 March,	2021	2020
		Rs.	Rs.
30	**Liabilities to FBIL customers**		
	Balance as at beginning of the year	962,059	962,059
	Payment made during the year	-	-
	Unclaimed cheques	-	-
	Balance as at end of the year	962,059	962,059

The liability is recognised based on the Scheme of Arrangements approved at the meeting of the creditors of First Barakah Investments Ltd (FBIL), held on 12/02/2011 and upheld by the Colombo Commercial High Court [Case No. H.C.(Civil) 01/2011 (CO)].

	As at 31 March,	2021	2020
		Rs.	Rs.
31	**Trade & other payables**		
	Vendor payables	161,046,151	70,105,124
	Bonus provision	24,500,000	3,000,000
	Insurance premium payables	9,521,470	33,215,807
	Other payables	83,848,487	40,324,672
		278,916,108	146,645,603
32	**Employee benefits**		
	Present value of unfunded obligations	11,904,906	9,027,972
	Present value of funded obligations	-	-
	Total present value of obligations	11,904,906	9,027,972
	Fair value of planned assets	-	-
	Net retirement benefit obligations	11,904,906	9,027,972
32.1	**Movement in present value of employee benefits**		
	Balance as at beginning of the year	9,027,972	7,536,970
	Expenses recognised in the profit or loss (Note 32.2)	4,483,319	2,827,863
	Actuarial (gain) / loss recognized in the other comprehensive income	297,272	(665,475)
	Benefits paid during the year	(1,903,657)	(671,386)
	Balance as at end of the year	11,904,906	9,027,972
32.2	**Expenses recognized in the profit or loss**		
	Interest cost	947,937	829,067
	Current service cost	3,535,382	1,998,796
		4,483,319	2,827,863

NOTES TO THE FINANCIAL STATEMENTS

The provision for retirement benefits obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Limited., as at 31 March 2021. The valuation method used by the actuary to value the Fund is the “Projected Unit Credit Method”, the method recommended by the Sri Lanka Accounting Standards - LKAS 19 “ Employee Benefits”. The liability is not externally funded.

32.3 The assumptions used for the actuarial valuation are given below.

As at 31 March,	2021	2020
Discount rate per annum	7.5%	10.5%
Annual salary increment rate	6.0%	6.0%
Staff turnover ratio	10.0%	32.0%
Retirement age	55 Years	55 Years
Mortality table	A 1967/70	A 1967/70

32.4 Sensitivity of assumptions used 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 Statement of Profit or Loss & Other Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate to the total Comprehensive Income and retirement benefit obligation for the year ended 31 March 2021.

Sensitivity effect on employment benefit obligation

	Increase / (Decrease) in the Liability	
As at 31 March,	2021	2020
	Rs.	Rs.
Decrease in discount rate (1%)	12,800,390	9,257,055
Increase in discount rate (1%)	(11,113,880)	(8,810,968)
Decrease in salary increment rate (1%)	(11,085,763)	(8,785,730)
Increase in salary increment rate (1%)	12,816,869	9,279,660

As at 31 March,	2021	2020
	Rs.	Rs.
33 Deferred tax liabilities		
33.1 Movement of net deferred tax liabilities		
Balance as at beginning of the year	47,496,138	63,995,996
Recognized in the profit or loss		
Amounts reversing during the year	(28,067,101)	(16,686,191)
Recognized in the other comprehensive income		
Amounts originating / (reversing) during the year	(71,345)	186,333
Balance as at end of the year	19,357,692	47,496,138

NOTES TO THE FINANCIAL STATEMENTS

33.2 Origination of deferred tax assets / (liabilities)

	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
As at 31 March,	2021	2021	2020	2020
	Rs.	Rs.	Rs.	Rs
Deferred tax assets :				
Employee benefits	11,904,905	2,857,177	8,356,587	2,339,844
Right of use asset	2,993,008	718,322	2,810,428	786,920
Provision for impairment	16,667,189	4,000,125	-	-
	31,565,102	7,575,624	11,167,015	3,126,764
Deferred tax liabilities :				
Property, plant and equipment	(10,214,305)	(2,451,433)	(23,890,029)	(6,689,208)
Accelerated depreciation for tax purpose - Leased assets	(101,341,180)	(24,321,883)	(156,334,620)	(43,773,694)
Investment property	(1,600,000)	(160,000)	(1,600,000)	(160,000)
Net deferred tax liabilities		(19,357,692)		(47,496,138)

The tax base of the Company is computed in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereon. However temporary difference generated through Accelerated Depreciation for Tax Purpose on Leased Assets is applicable only for the contracts incepted prior to 01 April 2018 and computed in accordance of the provision available in the Inland Revenue Act No 10 of 2006. The temporary difference is significant due to claiming capital allowances in advance in previous financial years.

33.3 Movement in recognized deferred tax assets and liabilities

For the year ended 31 March,	2021			
		Charged / (Reversed) in		
	Balance as at 01 April 2020	Profit or Loss	OCI	Balance as at 31 March 2021
	Rs.	Rs.	Rs.	Rs.
Employee benefits	2,339,844	445,988	71,345	2,857,177
Right of use asset	786,920	(68,598)	-	718,322
Provision for impairment	-	4,000,125	-	4,000,125
Property, plant and equipment	(6,689,208)	4,237,775	-	(2,451,433)
Accelerated depreciation for tax purpose - Leased assets	(43,773,694)	19,451,811	-	(24,321,883)
Investment property	(160,000)	-	-	(160,000)
	(47,496,138)	28,067,101	71,345	(19,357,692)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,	2020			
		Charged / (Reversed) in		
	Balance as at 01 April 2019	Profit or Loss	OCI	Balance as at 31 March 2020
	Rs.	Rs.	Rs.	Rs.
Employee benefits	2,110,351	415,826	(186,333)	2,339,844
Right of use asset	-	786,920	-	786,920
Provision for impairment	27,207,887	(27,207,887)	-	-
Property, plant and equipment	(7,127,102)	437,894	-	(6,689,208)
Accelerated depreciation for tax purpose - Leased assets	(86,027,132)	42,253,438	-	(43,773,694)
Investment property	(160,000)	-	-	(160,000)
	(63,995,996)	16,686,191	(186,333)	(47,496,138)

	As at 31 March,	2021	2020
		Rs.	Rs.
34	**Stated capital**		
	Issued and fully paid - Ordinary shares of 176,975,971	**1,769,559,710**	1,340,294,510
	Right issue made - ordinary shares	**-**	429,265,200
	Issued and fully paid - Ordinary shares of 176,975,971	**1,769,559,710**	1,769,559,710

35 Statutory reserve fund

Statutory reserve fund was created to comply with the Direction No. 1 of 2003 (Capital Funds) issued by the Central Bank . The Company is required to transfer 5% of Net Profits to this Reserve Fund as long as the Capital Funds are not less 25% of total deposit liabilities. During the Year 2020/2021, the Company transferred Rs. 9,704,454/- to the Statutory Reserve Fund.

36 Fair value through other comprehensive income reserve

This reserve includes the cumulative net change in the Fair Value of Financial Assets which recognized in Other Comprehensive Income. When such investment is derecognized, the related cumulative Gain / (Loss) previously recognized is reclassified to Profit or Loss. During the Year Company has recognized Fair Value Gain of Rs. 1,728,331/- on Treasury Bonds. (Previous year (2020) gain - Rs. 4,916,124/-).

When measuring fair values of Financial Investments the company used the latest publicly available information in line with the prior year.

37 Retained earnings

This 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.

NOTES TO THE FINANCIAL STATEMENTS

38 Subsequent events

There were no material circumstances that have arisen since the reporting date, which require adjustment to or disclosure in the Financial Statements.

39 Litigations and claims

Litigation is a common occurrence in the industry due to the nature of the business undertaken. The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing.

The Company confirms that there is no case filed against the Company which is not disclosed which would have a material impact on the Statement of Financial Position of the Company except the below mentioned. No adjustments have been made in the Financial Statement in this regard as management of the company believes that there is no likelihood of an unfavorable outcome.

i) Case No.647/16/L has been filed by previous owner of the land to cancel the Deed of Transfer which he executed to our customer on the basis of not properly passed the consideration. Answer filed by the Company and 1st & 2nd Defendants steps to serve summons due on 26 October 2018. 1st and Second Defendant have not accepted the summons, therefore Court wants to step taken to serve summons on the 1st and the 2nd defendants. This case then moved on to 31/01/2021 for plaintiff's steps and then moved on to 21/05/2021. It has been further postponed due to Covid 19 pandemic and the next date is yet to be informed.

ii) Case No. 16131/M -Money case filed by the supplier of Harvester Machine A Base Mech Farm Pvt Ltd, against the Company Answers filed on 15 March 2018. Written submissions regarding the issues made by the Plaintiff and case was postponed to 8th July 2021for trial.

iii) Case No.4835/M - customer defaulted the lease facility as per our instructions customer handed over the bike to the Company. Customer instituted this action to recover his money Rs. 400,000/- paid to the Dealer at the time of purchasing the bike or the return of the asset by him. This matter was re fixed for Written Submissions on 21st May 2020 and then the case was fixed to hear on 13th July 2021.

iv) Case No.M 17489 - Customer applied for a lease of Rs. 2,000,000 initially to import a Wagon R and claimed that he has paid Rs.1 million to former Matara Branch Manager to reduce the facility amount by Rs.1 Million which was not available in the Company records and the customer also failed to submit any evidence to establish the payment.
The Company repossessed the vehicle for the arrears and customer has filed a case against the Company. The injunction order is issued on 31st October 2019.

The Company filed the objections along with the affidavit. The case was fixed and written submissions was made on 06th March 2020. Then this case fixed for order on 03/05/2021, and moved on to 17th May 2021 thereafter. It has been further postponed due to Covid 19 pandemic and the next date is yet to be informed."

NOTES TO THE FINANCIAL STATEMENTS

v) Case No.HC/Civil/90/CO- W.U. Seneviratne And Company (Private) Limited has filed action against 10 Banks and 11 finance companies under part 10 of the Companies Act. Requesting the Court appoint an expert to restructure the repayment of debts as going concern. The Company is being cited as the 13th Respondent in their petition.
This matter was called on 17th January 2020 for objection. President's Counsel appearing on behalf of the petitioner informed courts that the petitioner is in the process of getting a report from an independent consultant regarding the restructuring of the company. Court granted, 19 of March 2020 as the date for the independent consultant's report and for the objections of the respondents. Thereafter the date was postponed to 29 May 2020 due to Covid 19 outbreak and then to 23rd June 2020. Meantime, the 4th Respondent has already filed petition to vacate the order. It has been further postponed due to Covid 19 pandemic and the next date is yet to be informed.

vi) Case No.DMR/1698/20- M M Bandara has filed a case against the Company. This matter called on 08/12/2020 for summons returnable and moved to 20/04/2021. The case was fixed for pre trial on 20/08/2021.

40 Contingent liabilities and commitments

In the normal course of the business, the Company may makes various commitments and incurs contingent liabilities with legal recourse to its Customers. No material losses are anticipated as a result of these transactions.

As at 31 March,	2021	2020
	Rs.	Rs.
40.1 Contingent liabilities		
Letter of credit	241,792,512	25,147,620
	241,792,512	25,147,620

There were no any other material contingent liabilities, which require adjustment to or disclosure in the Financial Statements as at the reporting date, other than disclosed above.

40.2 Capital commitments

There were no material capital commitments which require disclosure in the Financial Statements as at reporting date.

41 Comparative figures

Comparative figures have been re-classified wherever necessary and conform to the current year classification.

NOTES TO THE FINANCIAL STATEMENTS

42 Assets pledged

The following assets have been pledged as securities against the Long-term and Short- term borrowings that have been disclosed under the Note 29.2 to the Financial Statements.

Lending Institute	Nature of Assets	Nature of Liability	Value of Assets Pledged
Sampath Bank PLC	Lease & Hire Purchase Receivables	Long Term Loan	344,337,500
Hatton National Bank PLC	Lease Receivables	Long Term Loan	1,101,250,000
Commercial Bank of Ceylon PLC	Lease Receivables	Short Term Loan	1,495,000,000
Nation Trust Bank PLC	Lease Receivables	Long Term Loan	176,800,000
Peoples Bank PLC	Lease Receivables	Long Term Loan	911,250,000
Seylan Bank PLC	Lease Receivables	Long Term Loan	508,950,000
Securitization 1	Vehicle Loan Receivables	Long Term Loan	650,000,000
Securitization 2	Vehicle Loan Receivables	Long Term Loan	975,000,000

43 Related party disclosures

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) “Related Party Disclosures”, the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

43.1 Parent and the ultimate controlling party

Fintrex Finance Limited is a subsidiary of Bluestone 1 (Pvt) Ltd. The ultimate parent of the Company is Fairfax Financial Holding, a Company incorporated in Canada.

43.1.1 Transactions with parent Company

There were no transactions occurred during the year with Bluestone 1 (Pvt) Ltd.

43.2 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFMs)

According to Sri Lanka Accounting Standard (LKAS 24) “Related Party Disclosures”, Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) has been classified as Key Management Personnel of the Company.

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

(a) the individual’s domestic partner and children;

(b) children of the individual’s domestic partner; and

(c) dependents of the individual or the individual’s domestic partner

There were no any transactions with CFM during the year.

NOTES TO THE FINANCIAL STATEMENTS

43.2.1 Compensations to Key Management Personnel (KMPs)

There were no compensation paid to key management personnel during the year other than those disclosed below.

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling activities of the company. Such KMPs include the Board of Directors of the Company and of its parent. Transactions with close family members of the KMPs, have also been taken in to consideration in the following disclosure.

According to Sri Lanka Accounting Standard - LKAS 24 “Related Party Disclosures”, Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), their Close Family Members (CFM) and selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company. Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner.

For the year ended 31 March,	**2021**	2020
	Rs.	Rs.
Short-term employee benefits	**5,100,000**	8,400,000

43.2.2 There were no loans have been granted to the Directors of the Company during the Year or outstanding as at the reporting date.

43.3 Transactions with related companies

There is no transaction took place with related parties during the financial year under consideration.

44 Financial risk management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Risk management and related reporting issues that are associated with financial institutions valuations of complex transactions and their impact to capital requirements, has received unstinted attention in the recent decade. Numerous risks inherent to a financial institution due to its nature of business and also other factors, are managed through a process of ongoing identification, measurement and monitoring activities subject to risk limits and other controls. This process of risk management is critical to Company's continuing profitability and building reputation, with each individual in the Organisation being responsible and accountable for risk exposure relating to scope of work.

Company's risk management process is streamlined in effect to ensure there is appropriate balance between risk and rewards. By instilling various controls and strategies, the Management continuously strives to mitigate risks in the attempt of generating higher profits.

As a finance Company, is exposed to a number of risks arising from dealing in financial transactions, involving mainly financial assets and liabilities. Key risks associated with Company's business revolve around:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

44.1 Credit risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfill agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Managing credit risk which is deemed the main risk element to a finance company like ours, the management takes into account all elements of credit risk exposures both at micro and macro levels. This includes analysing individual obligor default risk, industry specific risk and geographical risk as part of comprehensive credit risk management process.

In mitigating credit risk, the Company resorts to obtaining collaterals which are valued by recognised external valuers and also by our own internal valuation who possess the expertise accurate valuations.

The maximum exposure to the credit risk at the reporting date is stated below.

As at 31 March	2021	2020
	Rs.	Rs.
Loans and advances		
Finance lease receivables	5,019,491,970	6,231,819,620
Hire purchase receivables	109,474	636,639
Loans & advances to other customers	3,346,999,886	965,251,690
Factoring receivables	2,822,431	4,019,274
	8,369,423,761	7,201,727,223

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The above stated Financial Assets are backed with the underlying securities including the 3rd party guarantees.

As at 31 March	2021	2020
	Rs.	Rs.
Debt and other instruments		
Cash and cash equivalents	166,532,603	15,054,441
Financial investments at amortised cost	181,659,066	277,395,179
Financial assets measured at fair value through other comprehensive income	56,919,879	55,191,548
Other receivables	25,186,399	18,747,393
	430,297,947	366,388,561

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analyzing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

44.1.1 Analysis of risk concentration

(a) Concentration by Industry

Company monitors credit concentration risk by referring degree of credit exposure by various sectors. The following table shows the maximum credit exposure before deducting the respective provision for impairment of Company's loans and advances to various sectors as at the end of the financial year.

Sector	Balance as at 31 March 2021	As %	Balance as at 31 March 2020	As %
Agriculture & ishing	403,760,319	4%	337,792,414	4%
Construction	497,575,096	6%	248,280,917	3%
Financial and business services	312,555,362	3%	246,900,332	3%
Infrastructure	58,002,729	1%	36,043,353	0%
Manufacturing	992,005,407	11%	680,547,903	8%
New economy	61,537,185	1%	55,994,408	1%
Services	3,437,088,171	38%	3,565,810,461	44%
Tourism	256,549,836	3%	367,510,213	5%
Trades	1,081,583,175	12%	903,955,149	11%
Transport	1,782,644,939	20%	1,569,046,690	19%
Other customers	115,584,983	1%	101,682,045	1%
Grand total	8,998,887,203	100%	8,113,563,885	100%

NOTES TO THE FINANCIAL STATEMENTS

(b) Concentration by product

Product	Balance as at 31 March 2021	As %	Balance as at 31 March 2020	As %
Finance lease receivables	**5,444,062,249**	**60%**	7,004,834,216	86%
Hire purchase receivables	**109,474**	**0%**	777,582	0%
Secured loans	**2,776,613,193**	**31%**	679,077,330	8%
Trade finance receivables	**767,021,876**	**9%**	409,243,037	5%
Factoring receivables	**11,080,411**	**0%**	19,631,720	0%
Grand total	**8,998,887,203**	**100%**	8,113,563,885	100%

44.1.2 Impairment assessment

For accounting purposes, the Company uses an Expected Credit Loss model (ECL)for the recognition of losses on impairment in accordance with SLFRS 9 commencing from 01.04.2018.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

The Company computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

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. The Company estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

EAD – The exposure at default represents the expected exposure in the event of a default. The Company estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

For loans and advances above a predefined threshold, the Company individually assesses for significant increase in credit risk. If a particular loan is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

NOTES TO THE FINANCIAL STATEMENTS

44.1.2.1 Valuation of immovable properties obtained as Collateral

Land, land and building which are obtained as collateral against any accommodation are valued frequently based on the Board approved valuation policy. The valuation obtained at the initiation of loan is considered as collateral value for performing Loans. All residential properties obtained as collateral for non-performing loans are valued in every five years and the other properties are valued in every four years. The Valuations are obtained from the panel of external, independent property valuers approved by the Board of Directors of the Company.

44.1.2.2 Write-off of loans and advances

Loans (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

44.1.2.3 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 recognised, the excess is written back by reducing the loan impairment allowance accordingly. The write-back is recognised in the Profit or Loss.

44.1.3 Credit quality by class of financial assets

The Company maintains the credit quality of Financial Assets using number of rental / installments in arrears. The table below shows the credit quality by number of rentals / installments in arrears for all Financial Assets exposed to credit risk. The amounts presented are Gross Receivable amounts.

As at 31 March 2021	Carrying value	Arrears period (Months)			
		1-3	3-6	6-12	12+
	Rs.	Rs.	Rs.	Rs.	Rs.
Finance lease receivables	5,444,062,249	3,890,527,191	1,021,963,959	180,890,448	350,680,651
Hire purchase receivables	109,474	109,474	-	-	-
Loans and advances to other customers and factoring	3,554,715,480	3,132,062,128	96,148,049	1,559,574	324,945,729
	8,998,887,203	7,022,698,793	1,118,112,009	182,450,022	675,626,380

As at 31 March 2020	Carrying value	Arrears period (Months)			
		1-3	3-6	6-12	12+
	Rs.	Rs.	Rs.	Rs.	Rs.
Finance lease receivables	7,004,834,216	4,279,786,141	1,385,905,988	933,840,109	405,301,978
Hire purchase receivables	777,582	77,527	-	158,167	541,888
Loans and advances to other customers and factoring	1,107,952,087	593,456,771	130,841,927	124,894,390	258,758,999
	8,113,563,885	4,873,320,439	1,516,747,915	1,058,892,666	664,602,865

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The reasons stated below provide an explanation of how significant changes in the gross carrying amount of financial assets during the year contributed to change in allowance for impairment.

New origination of finance leases, loans and advances has been resulted in increasing the gross receivables by Rs. 885Mn. Realignment of the product mix by concentrating more on granting vehicle loans whilst reducing the concentration of high-risk micro finance lease portfolio has also been contributed to change in gross carrying value.

Furthermore, during the financial year a sum of Rs. 523 Mn has been written off from impaired portfolio.

44.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another Financial Assets. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under any circumstances.

The Company manage it's liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value, ALCO is entrusted with this task.

Liquidity management in response to COVID-19

The Company took cognizance of the reality that preservation of capital is of utmost importance during the business downturn resulting from the pandemic and took necessary action to ensure that there is sufficient liquidity available for its operational requirements. Several important decisions were made in this regard affecting both the short- and long-term business horizons.

The Company negotiated new working capital as well as term funding lines from financial institutions at very favourable interest rates. The availability of approved but unutilized funding facilities was a comfort factor during this period. As at 31 March 2021 the Company has the unutilised short term facilities of Rs. 371 Mn and long term facilities of Rs. 550Mn.

44.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's Financial Assets and Liabilities as at 31 March 2021.

Description	Carrying value	Contractual maturity	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash & cash equivalents	166,532,603	166,532,603	166,532,603	-	-	-
Financial investments at amortised cost	181,659,066	185,073,558	85,073,558	100,000,000	-	-
Financial investments at fair value through OCI	56,919,879	69,581,000	-	-	69,581,000	-
Gross loans & receivables to other customers	8,998,887,203	10,825,085,284	2,505,487,236	2,384,255,318	5,925,465,388	9,877,342
Other receivables	45,502,425	45,502,425	45,502,425	-	-	-
Total financial assets	9,449,501,176	11,291,774,870	2,802,595,822	2,484,255,318	5,995,046,388	9,877,342

NOTES TO THE FINANCIAL STATEMENTS

Description	Carrying value	Contractual maturity	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial liabilities						
Bank overdrafts	125,464,284	125,464,284	125,464,284	-	-	-
Other financial liabilities due to customers	455,374,458	467,937,589	107,816,381	134,109,500	226,011,709	-
Interest bearing loans and borrowings	5,705,517,080	6,259,282,338	655,600,863	2,978,610,507	2,625,070,967	-
Liabilities of FBIL	962,059	962,059	962,059	-	-	-
Lease Liabilities	64,897,900	77,533,473	7,516,912	29,161,345	40,855,216	-
Trade and other payables	278,916,108	278,916,108	278,916,108	-	-	-
Total financial liabilities	6,631,131,889	7,210,095,851	1,176,276,607	3,141,881,352	2,891,937,897	-

44.3 Market risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies and equity prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

44.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

Description	Overnight	1-3 Months	4-6 Months	7-12 Months	1-3 Years	4-5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate sensitive assets (RSA)	-	2,505,487,236	919,926,279	1,092,964,226	3,517,153,089	1,256,868,747	9,877,342	9,302,276,919
Rate sensitive liabilities (RSL)	-	4,836,463,733	169,336,939	416,289,975	673,004,781	191,260,395	-	6,286,355,822
Period gap	-	(2,330,976,497)	750,589,340	676,674,251	2,844,148,308	1,065,608,352	9,877,342	3,015,921,097
Cumulative gap	-	(2,330,976,497)	(1,580,387,157)	(903,712,906)	1,940,435,402	3,006,043,754	3,015,921,096	

The risk arises as a result of exchange difference is considered as minimal.

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	Sensitivity effect on interest rate	
As at 31 March	2021	2020
	Rs.	Rs.
Decrease in interest rate 1%	30,159,211	27,363,097
Increase in interest rate 1%	(30,159,211)	(27,363,097)

COVID-19 has necessitated easing of monetary policies to facilitate the recovery across most economies. However, the volatility in interest rates remains high due the scale of the economic impact caused by the pandemic. The Company has been closely monitoring these developments and devising strategies to ward off any adverse effect caused in the form of interest rate risk.

44.4 Operational risk

Operational risk is the risk of loss arising from fraud, systems failure, human error 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 should manage these risks through a control framework and by monitoring and responding to potential risks and management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- compliance with regulatory and other legal requirements
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development

Compliance with Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit.

The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Company and Audit Committee. Audit Committee instructs the management to take the corrective actions to overcome any deficiencies identified.

45 Capital management

Company is required to manage its capital taking into account the need to meet the regulatory requirements and to maintain a capital buffer against unexpected losses as well as to cater to the current and future business needs, stakeholder expectations and to seek available options for raising and generating capital.

Capital management is deemed a pivotal assessment exercise in sustaining an adequate buffer against losses arising from any unforeseen risks. So Management monitors Company's capital adequacy position closely through the Finance Division and reports to the Board monthly. Capital adequacy is a measure of the Company's ability to tolerate associated risks in doing its finance business. The main objective of maintaining adequate capital in terms of regulatory capital adequacy ratios is to safeguard the depositors, whilst sustaining customer confidence. The capital adequacy measurement being a widely accepted concept specifies the limit up to which Company can expand in terms of its risk weighted assets. In pursuit of business expansion and diversification, Company engages itself in activities dealing in financial instruments that regularly change the

NOTES TO THE FINANCIAL STATEMENTS

risk and capital profile of the Company. Accordingly, regulatory capital requirements ensure the Company does not move into undue expansion beyond specified limits and signals the Company to be cautious and not to take undue risk through growth of its assets especially in areas risky than others.

Company reviews its capital adequacy ratios (CAR) on a monthly basis to ensure compliance to prudential requirements on capital. The Company's Core minimum capital ratios i.e. tire 1 Capital Ration & total capital ratio were maintained well above the minimum regulatory requirements of 6% and 10% respectively throughout 2020/21 financial year.

The computation of the CAR ratios is in two parts and involves firstly a working to arrive at the Tier 1 capital and the capital base for the two ratios CCR and TRWCR respectively. A separate computation is carried out to derive at the total risk weighted assets as at a given date.

The details of the computation of capital and the ratios of the Company as at 31 March 2021 are given below:

As at 31 March	2021
	Rs.
Issued and paid-up ordinary shares / common stock (cash)	1,769,559,710
Statutory reserve fund	37,589,687
Retained earnings	418,891,555
General and other reserves	-
Less; Gain/(loss) on valuation of investment property	(2,900,000)
Tier I : Core capital	2,223,140,952
Less; Adjustments to Tier 1 capital	(17,952,514)
Supplementary capital	-
Eligible Tier 2 capital	2,205,188,438
Total capital	2,205,188,438
Deductions	
Equity Investments in Unconsolidated Banking & Financial Subsidiaries	-
Investments in Capital of Other Banks / Financial Associates	-
Capital base	2,205,188,438
Total risk weighted assets	
Total asset base	8,945,411,909
Weight given for credit & operational risk	(254,129,362)
Right weighted amount for operational risk	1,565,249,886
Risk weighted assets	10,256,532,434

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As at 31 March	2021
	Rs.
Tire 1 capital ratio (Minimum requirement 6%)	
Total eligible core capital (Tier I Capital)	2,223,140,952
Total risk-weighted assets	10,256,532,434
	21.68%
Total capital ratio (Minimum requirement 10%)	
Total capital base	2,205,188,438
Total risk-weighted assets	10,256,532,434
	21.50%

46 Financial instruments

46.1 Classification of financial assets & financial liabilities

The table below provide a reconciliation between line items in the Statement of Financial Position and categories of Financial Assets & Financial Liabilities of the Company as per SLFRS.

	As at 31 March 2021		
As at 31 March	Finance asset at fair value through profit or loss	Finance asset at amortized cost	Finance asset at fair value through other Comprehensive income (FVOCI)
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	-	166,532,603	-
Financial investments at amortized cost	-	181,659,066	-
Financial assets - FVOCI	-	-	56,919,879
Finance lease receivables	-	5,019,491,970	-
Hire purchase receivables	-	109,474	-
Loans & advances to other customers	-	3,346,999,886	-
Factoring receivables	-	2,822,431	-
Financial investments in treasury bills	-	-	-
Total financial assets	-	8,717,615,430	56,919,879

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As at 31 March	As at 31 March 2021 Finance asset at fair value through profit or loss	Finance asset at amortized cost	Finance asset at fair value through other Comprehensive income (FVOCI)
	Rs.	Rs.	Rs.
Liabilities			
Bank overdrafts	-	125,464,284	-
Other financial liabilities due to customers	-	455,374,458	-
Interest bearing loans & borrowings	-	5,705,517,080	-
Lease liabilities	-	64,897,900	-
Total financial liabilities	-	6,351,253,722	-

46.2 Fair value measurement

The Company measures the Fair Value using the following Fair Value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of Fair Value Measurement of Financial & Non-Financial Assets and Liabilities is provided below.

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

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

Level 2

Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for

NOTES TO THE FINANCIAL STATEMENTS

which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

46.2.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of Assets & Liabilities measured at Fair Value as at the reporting date, by the level in the Fair Value Hierarchy into which the Fair Value measurement is categorized. These amounts were based on the values recognized in the Statement of Financial Position.

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	56,588,879	-	-	56,588,879
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	56,588,879	-	331,000	56,919,879
Non-financial assets				
- Investment property	-	-	6,800,000	6,800,000
Total non-financial assets at fair value	-	-	6,800,000	6,800,000
Total assets at fair value	56,588,879	-	7,131,000	63,719,879

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	54,860,548			54,860,548
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	54,860,548	-	331,000	55,191,548
Non-financial assets				
- Investment property	-	-	6,800,000	6,800,000
Total non-financial assets at fair value	-	-	6,800,000	6,800,000
Total assets at fair value	54,860,548	-	7,131,000	61,991,548

46.2.2 Level 3 fair value measurement

Investment property

Reconciliation from the opening balance to the ending balance for the Investment Property in the Level 3 of the Fair Value hierarchy is available in Note 24.

Note 24.1 provides information on Significant Unobservable Inputs used as at 31 March 2021 in measuring Fair Value of value of Land categorised as Level 3 in the Fair Value hierarchy.

Note 24.1 provides details of valuation techniques used and sensitivity of Fair Value measurement to changes in significant unobservable inputs.

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Equity securities

Value of unquoted shares of Rs. 331,000 in the Company as at the end of the 31 March 2021 (Rs. 331,000 as at end of the 31 March 2020) categorized under Financial Investments - FVOCI , which Fair Value can not be reliably measured is stated at Cost in the Statement of Financial Position.

46.2.3 Fair value of financial assets and liabilities not carried at fair value

	2021		2020	
For the year ended 31 March,	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	166,532,603	166,532,603	15,054,441	15,054,441
Loans & receivables to banks	181,659,066	181,659,066	277,395,179	277,395,179
Finance lease Receivables	5,019,491,970	5,019,491,970	6,231,819,620	6,231,819,620
Hire purchase receivables	109,474	109,474	636,639	636,639
Loans & advances to other customers	3,346,999,886	3,346,999,886	965,251,690	965,251,690
Factoring receivables	2,822,431	2,822,431	4,019,274	4,019,274
Other receivables	45,502,425	45,502,425	34,010,916	34,010,916
	8,763,117,855	8,763,117,855	7,528,187,759	7,528,187,759
Financial liabilities				
Bank overdrafts	125,464,284	125,464,284	515,678,118	515,678,118
Other Financial liabilities due to customers	455,374,458	455,374,458	187,011,537	187,011,537
Interest bearing loans & borrowings	5,705,517,080	5,705,517,080	4,756,931,105	4,756,931,105
Lease liabilities	64,897,900	64,897,900	69,865,284	69,865,284
Liabilities of FBIL customers	962,059	962,059	962,059	962,059
Trade & other payables	278,916,108	278,916,108	146,645,602	146,645,602
	6,631,131,889	6,631,131,889	5,607,228,421	5,607,228,421

10 YEARS SUMMARY

	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Operating Results									
Gross Income	**1,625,409**	1,970,881	1,649,056	1,244,630	979,627	742,384	442,047	199,526	102,220
Interest Income	**1,549,448**	1,892,153	1,580,105	1,206,710	943,025	695,078	379,429	158,380	20,188
Interest Expenses	**510,691**	772,623	675,008	489,619	430,092	264,312	118,430	43,754	6,309
Net Interest Income	**1,038,757**	1,119,531	905,097	717,091	512,933	430,766	260,999	114,626	13,880
Net Other Operating Income	**75,962**	78,728	68,951	37,920	36,602	47,307	62,618	41,146	82,032
Total Operating Income	**1,114,719**	1,198,259	974,048	755,011	549,535	478,073	323,617	155,772	95,911
Impairment Charge	**236,407**	612,166	225,661	241,608	102,608	127,919	18,676	2,703	-
Operating Expenses	**541,992**	493,619	452,390	334,636	312,931	255,252	185,946	125,227	81,054
Tax on Financial Services	**85,525**	62,438	87,943	35,962	24,750	18,995	18,193	9,378	2,021
Profit before income tax	**250,795**	30,035	208,054	142,804	109,246	75,906	100,802	18,464	12,837
Income Tax	**56,480**	(2,037)	91,721	22,967	6,896	8,111	16,930	5,366	(9,782)
Profit after income tax	**194,315**	32,072	116,333	119,837	102,350	67,796	83,872	13,098	22,619
Financial Position									
Assets									
Cash and cash equivalents	**166,533**	15,054	105,143	99,618	119,293	140,843	41,481	16,175	4,994
Investments	**238,579**	332,587	306,841	420,195	363,277	273,287	1,994,186	752,953	331,339
Leases,loans and advances	**8,369,424**	7,201,727	7,868,368	5,811,773	5,079,079	4,839,358	2,864,480	1,240,561	362,296
Other receivables	**45,509**	70,175	56,500	28,745	28,652	60,944	58,846	37,069	24,273
Net deferred tax assets	**-**	-	-	-	4,298	-	159	9,245	12,124
Investment property	**6,800**	6,800	6,800	23,200	23,200	5,200	3,900	3,900	-
Right of use asset	**61,905**	67,055	-	-	-	-	-	-	-
Intangible assets	**17,953**	22,396	23,341	27,294	34,683	34,554	21,603	3,331	642
Property, plant and equipment	**38,710**	56,634	65,249	82,499	103,825	47,456	28,120	31,468	29,872
Total Assets	**8,945,412**	7,772,428	8,432,243	6,493,325	5,756,308	5,401,643	5,012,775	2,094,702	765,540
Liabilities									
Bank overdraft	**125,464**	515,678	417,736	432,227	442,745	92,986	1,383,690	26,980	20,426
Borrowings	**5,705,517**	4,756,931	5,469,502	1,540,302	2,106,202	2,648,309	1,781,203	200,456	-
Deposits from customers	**455,374**	187,012	533,090	2,694,597	1,540,732	1,206,189	485,094	610,997	132,901
Other payables	**405,071**	226,501	375,840	321,690	287,288	175,135	151,928	129,500	440,981
Deferred tax liabilities	**19,358**	47,496	63,996	-	-	-	-	-	-
Total liabilities	**6,710,784**	5,733,618	6,860,165	4,988,815	4,376,966	4,122,620	3,801,915	967,933	594,308

10 YEARS SUMMARY

	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Equity									
Stated capital	**1,769,560**	1,769,560	1,340,295	1,340,295	1,340,295	1,340,295	1,340,295	1,340,295	-
Reserves	**465,068**	269,251	231,784	164,215	39,047	(61,272)	(129,435)	(213,526)	(221,909)
Total Equity	**2,234,628**	2,038,810	1,572,078	1,504,509	1,379,342	1,279,023	1,210,860	1,126,769	468,386
Total Liabilities and Equity	**8,945,412**	7,772,428	8,432,243	6,493,325	5,756,308	5,401,643	5,012,775	2,094,702	765,540
Financial indicators									
Earning per share (Rs.)	**1.10**	0.21	0.87	0.89	0.76	0.51	0.63	0.19	0.32
Net assets per share (Rs.)	**12.63**	13.42	11.73	11.23	10.29	9.54	9.03	8.41	8.35
Return on shareholders' funds (%)	**9.16**	2.10	7.41	8.31	7.70	5.45	7.18	2.65	4.83
Return on average assets (%)	**2.34**	0.50	1.53	2.33	1.96	1.30	2.36	2.00	4.00
Net interest margin (%)	**11.90**	13.70	12.60	12.29	8.90	8.64	8.89	14.30	7.66
Cost to income ratio (%)	**52.18**	44.09	49.98	46.67	61.01	59.26	71.24	80.39	84.51
Gross non performing loan (%)	**9.80**	21.26	7.71	5.74	7.1	4.66	1.94	1.72	1.72
Net non performing loan (%)	**3.14**	10.25	1.96	3.23	2.58	1.71	1.21	1.28	1.50
Core Capital Ratios (%) – Minimum required 6.5%	**21**	23	17	25	26	25	34	83	95
Total Risk Weighted Capital Ratio (%) – Minimum required 10.5%	**21**	23	17	25	26	25	34	83	95

NOTES

CORPORATE INFORMATION

Name of the company
Fintrex Finance Ltd (PB 878) Formerly Know as a Melsta Regal Finance Ltd.

Date of Incorporation
29th March 2007

Registered office
No.851,
Dr. Danister De Silva Mawatha,
Colombo 14.

Legal form of the company Incorporated as a Public Limited Liability Company under the Companies Act No. 07 of 2007.Registered under the Finance Business Act No. 42 of 2011 and the Finance Leasing Act No. 56 of 2000.

Business Registration No
PB878

Date of Incorporation
29th March 2007

Date of Name Change
3rd September 2018

Registered Address
No 851,
Dr. Danister de Silva Mawatha
(Baseline Road),
Colombo 14.

Auditors
KPMG
No 32A,
Sir Mohamed Macan Marker Mawatha,
Colombo 03.

Lawyers
Nithya Partners
97A, Galle Road,
Colombo 03.

Shiranthi Gunawardena Associates
No.22/1, Elliot Place,
Colombo 08.

Paul Rathnayake Associates
No 59, Gregory's Road,
Colombo 07.

Secretaries
P.W. Corporate Secretarial (Pvt) Ltd
No 3/17, Kynsey Road,
Colombo 08.

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