LOLC FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2019

EY
Building a better working world

Ernst & Young
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HMAJ/II /MHM

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LOLC FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LOLC Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of 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 gives a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditors's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

(Contd...2/-)

Key Audit Matter	How our audit addressed the key audit matter
Impairment allowance for loans & advances, rental receivable on leased assets and factoring receivable from other customers including Company's transition to SLFRS 9: Our audit considered allowances for impairment of loans & advances, rental receivable on leased assets and factoring receivable as a key audit matter due to the materiality of the reported amounts, the subjectivity associated with management's estimation on significant judgements and assumptions, the use of a model that involves complex manual calculation and transition to Sri Lanka Financial Reporting Standard 9: Financial Instruments (SLFRS 09). As at 31 March 2019, loans & advances, rental receivable on leased assets and factoring receivable (net of impairment) amounted to Rs. 136,191,346,373 (note(s) 6, 7 and 7.6) and respectively. These collectively contributed 65 % to the Company's total assets. Note(s) 2.3.9, 6.a, 7.a, 7.6a and 25 to the financials statement provides a fuller description of the allowance for impairment of loans & advances, rental receivable on leased assets and factoring receivable, basis of its calculation including key judgments and assumptions used in its estimation. The impact on transition to SLFRS 9 on the Company's Financial Statements has been quantified and presented in the Note 35 to the Financial Statements.	To assess the reasonableness of the allowance for impairment, we carried out audit procedures (among others) to obtain sufficient and appropriate audit evidences, that included the following: • We evaluated the design effectiveness of internal controls over the estimation of allowances for impairment of loans & advances, rental receivable on leased assets and factoring receivable, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. • We checked the accuracy of the underlying calculations and appropriateness of data used in such calculations on a sample basis. • In addition to the above, focused procedures were performed as follows: o *For those individually assessed for impairment:* - where impairment indicators existed, we evaluated the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held. o *For those collectively assessed for impairment:* - we tested the accuracy and completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT system. - we also considered reasonableness of macro-economic and other factors used by management in their judgmental overlays, by comparing them with relevant publicly available data and information sources. By using a set of audit procedures similar to those enumerated above, we validated the quantitative impact of the transition. We also assessed the adequacy of the related financial statement disclosures as set out in note(s) 2.23.3.1 (4), 6.a, 7.a and 7.6a. This included testing of the quantitative impact of the transition.

(Contd...3/)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties The Company applies the fair value model for its investment properties as stated in Note 2.5 and 11 to the financial statements. The Company uses valuations carried out by third party valuers to ascertain fair value of these properties. The valuation of Investment Property was significant to our audit due to the magnificent, multiple locations in which these properties are held and the use of significant assumptions such as perch price and per square foot price as disclosed in note 11.1 to the financial statements. Any variation in the assumptions used for the valuation of the property could have a material impact on the financial statements.	We read the professional valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property. We also assessed the qualifications and expertise of the valuers and reviewed the terms of their engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We involved our internal specialised resources to review the valuation reports for the selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of fair value gain/loss and disclosure of fair value in the financial statements. Our internal specialised resources also assessed the assumptions used by the third party valuers in the valuation process. We also assessed the adequacy of the disclosures included in the financial statements regarding the key assumptions which have the highest effect in the determination of the fair value of properties as disclosed in note 11.1

Other information included in the Company's 2019 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

(Contd...4/)

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- 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.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.

26 June 2019
Colombo

Ernst & Young

LOLC Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 Rs.	2018 Rs.
ASSETS			
Cash and bank balances	3	17,535,538,362	11,323,366,281
Deposits with banks and other financial institutions		21,637,175,646	26,346,551,552
Investment in government securities and others	4	18,150,995,929	10,871,768,339
Derivative financial instruments	5.1	568,529,646	133,540,941
Financial assets at amortised cost			
Rentals receivable on leased assets	6	42,941,836,671	43,605,123,812
Loans and advances	7	88,995,841,800	97,072,665,275
Factoring receivable	7.6	4,253,667,902	10,638,754,943
Investment securities	8	2,809,229,143	1,965,298,691
Amount due from related companies	9	5,569,291	32,909,393
Other receivables	10	937,941,234	1,122,496,378
Inventories		4,811,234	9,077,910
Investment properties	11	11,635,211,000	6,278,187,226
Property plant and equipment	12	1,559,024,937	1,714,491,470
Total assets		211,035,372,795	211,114,232,211
LIABILITIES			
Bank overdraft	3	2,242,496,059	4,243,169,825
Interest bearing borrowings	13	61,086,897,072	70,490,432,360
Deposits from customers	14	115,365,141,189	110,027,420,099
Trade payables	15	1,161,094,413	1,593,495,580
Accruals and other payables	16	3,072,453,537	2,388,375,887
Derivative financial instruments	5.2	661,931,132	482,464,342
Amount due to related companies	17	817,644,096	1,496,999,551
Current tax payable	28.1	1,501,292,610	813,718,267
Deferred tax liability	28.2	2,272,773,316	2,402,219,247
Employee benefits	18.2	87,060,988	70,303,298
Total liabilities		188,268,784,412	194,008,598,456
SHAREHOLDERS' FUNDS			
Stated capital	19	7,880,000,000	7,880,000,000
Statutory reserve	20.1	3,189,297,618	1,996,724,011
Revaluation Reserve	20.2	241,527,671	241,527,671
Cash flow hedge reserve	20.3	(39,059,404)	(6,333,137)
Available for sale investment reserve	20.4	-	(7,166,375)
Fair value through OCI reserve		(21,756,426)	-
Retained earnings	20.5	11,516,578,925	7,000,881,585
Total equity		22,766,588,383	17,105,633,755
Total liabilities and equity		211,035,372,795	211,114,232,211
Commitments and Contingencies	35	32,255,970,261	38,794,151,526
Net asset value per share		5.42	5.98

These financial statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

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(Mr.) Buddhika Weeratunga
Head of Finance

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

.... (Mr.) Ravi Tissera - Deputy Chairman / CEO

.... (Mr.) Ashan Nissanka - Executive Director

The annexed notes to the financial statements on pages 10 through 76 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO
26 June 2019
Rajagiriya (Greater Colombo)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	2019 Rs.	2018 Rs.
Interest income	21	42,663,317,527	23,818,183,417
Interest expense	22	(20,891,754,206)	(13,902,136,761)
Net interest income		21,771,563,321	9,916,046,656
Net other operating income	23	4,012,257,390	1,816,619,341
Direct expenses excluding interest cost	24	(1,522,224,334)	(1,047,933,016)
Allowance for impairment & write-offs	25	(5,700,505,481)	(3,709,287,962)
Personnel expenses	26.1	(3,165,698,139)	(1,370,492,906)
Depreciation	12	(163,498,091)	(173,816,520)
General & administration expenses		(6,734,427,896)	(2,997,554,048)
Profit from operations	26	8,497,466,770	2,433,581,545
Value added tax on financial service		(1,389,654,429)	(348,841,403)
Profit before tax		7,107,812,341	2,084,740,142
Income tax (expense) / reversal	28	(1,144,944,313)	116,686,146
Profit for the year		5,962,868,028	2,201,426,288
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability - gain / (loss)	18.2	(4,097,431)	(2,609,396)
Related tax	28.2	1,147,281	730,631
		(2,950,150)	(1,878,765)
Movement in fair value (Equity investments at FVOCI)		22,480,000	-
Related tax		(2,248,000)	-
		20,232,000	-
Total of items that will never be reclassified to profit or loss		17,281,850	(1,878,765)
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets - net change in fair value	4.1.3	-	128,105,497
Movement in fair value through OCI reserve	4.1.3	(34,822,051)	-
Net amount transferred to profit or loss	4.1.3	-	(16,745,534)
Related tax	4.1.4	-	(3,018,739)
		(34,822,051)	108,341,224
Movement in hedge reserve	20.3	(45,453,148)	(26,649,199)
Related tax	20.3	12,726,882	7,461,776
		(32,726,267)	(19,187,423)
Total of items that are or may be reclassified to profit or loss		(67,548,317)	89,153,801
Total other comprehensive income, net of tax		(50,266,468)	87,275,036
Total comprehensive income for the year		5,912,601,560	2,288,701,323
Basic earnings per share	29	1.42	0.77

The annexed notes to the financial statements on pages 10 through 76 form an integral part of these financial statements.

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Stated Capital	Statutory Reserve	Revaluation Reserve	Cash flow Hegde Reserve	Available for Sale Investment Reserve	Fair Value Through OCI Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Balance as at 1 April 2017		**2,000,000,000**	**1,556,438,753**	**206,229,960**	**14,236,742**	**(115,484,939)**	**-**	**7,364,836,012**	**11,026,256,528**
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	2,201,426,289	2,201,426,289
Other comprehensive income, net of income tax									
Remeasurements of defined benefit liability - gain / (loss)		-	-	-	-	-	-	(1,878,765)	(1,878,765)
Net change in fair value of AFS investments		-	-	-	-	108,341,224	-	-	108,341,224
Net movement of cashflow hedges		-	-	-	(19,187,423)	-	-	-	(19,187,423)
		-	-	-	(19,187,423)	108,341,224	-	(1,878,765)	87,275,036
Total comprehensive income for the year		**-**	**-**	**-**	**(19,187,423)**	**108,341,224**	**-**	**2,199,547,523**	**2,288,701,324**
Transactions recorded directly in equity									
Transfer to Statutory Reserve Fund		-	440,285,258	-	-	-		(440,285,258)	-
Shares issued during the year		5,880,000,000	-	-	-	-		-	5,880,000,000
Excess of the investment and other adjustments on merger with subsidiary		-	-	35,297,711	(1,382,456)	(22,659)		(2,123,216,692)	(2,089,324,096)
Total transactions recorded directly in equity		**5,880,000,000**	**440,285,258**	**35,297,711**	**(1,382,456)**	**(22,659)**	**-**	**(2,563,501,950)**	**3,790,675,904**
Balance As at 31 March 2018		**7,880,000,000**	**1,996,724,011**	**241,527,671**	**(6,333,136)**	**(7,166,375)**	**-**	**7,000,881,586**	**17,105,633,756**
Impact of adoption of SLFRS 9									
Recognition of SLFRS 9 ECLs including those measured at FVOCI		-	-	-	-	-	-	(558,266,453)	(558,266,453)
Impact of reclassifying financial investment from AFS to FVTPL		-	-	-	-	-	-	167,005,111	167,005,111
Deferred tax on transitional adjustments		-	-	-	-	-	-	139,614,410	139,614,410
Transfer of AFS reserve to fair value reserve		-	-	-	-	7,166,375	(7,166,375)	-	-
		-	**-**	**-**	**-**	**7,166,375**	**(7,166,375)**	**(251,646,932)**	**(251,646,932)**
Balance as at 1 April 2018		**7,880,000,000**	**1,996,724,011**	**241,527,671**	**(6,333,136)**	**-**	**(7,166,375)**	**6,749,234,654**	**16,853,986,824**
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	5,962,868,028	5,962,868,028
Other comprehensive income, net of income tax									
Remeasurements of defined benefit liability - gain / (loss)	18.2 / 28.2	-	-	-	-	-	-	(2,950,150)	(2,950,150)
Revaluation gain on fair value through OCI investments		-	-	-	-	-	20,232,000	-	20,232,000
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	4.1.3	-	-	-	-	-	(34,822,051)	-	(34,822,051)
Net movement of cashflow hedges	20.3 / 28.2	-	-	-	(32,726,267)	-	-	-	(32,726,267)
		-	-	-	(32,726,267)	-	(14,590,051)	(2,950,150)	(50,266,468)
Total comprehensive income for the year		-	-	-	(32,726,267)	-	(14,590,051)	5,959,917,877	5,912,601,560
Transactions recorded directly in equity									
Transfer to Statutory Reserve Fund		-	1,192,573,607	-	-	-	-	(1,192,573,607)	-
Shares issued during the year		-	-	-	-	-	-	-	-
Total transactions recorded directly in equity		**-**	**1,192,573,607**	**-**	**-**	**-**	**-**	**(1,192,573,607)**	**-**
Balance As at 31 March 2019		**7,880,000,000**	**3,189,297,617**	**241,527,671**	**(39,059,404)**	**-**	**(21,756,426)**	**11,516,578,925**	**22,766,588,383**

The annexed notes to the financial statements on pages 10 through 76 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Note	2019 March Rs.	2018 March Rs.
Cash flows from opera			
Profit before income tax expense		7,107,812,341	2,084,740,142
Adjustments for:			
Depreciation	12	163,498,091	173,816,520
(Profit)/ loss on sales of investment property	23	(7,241,139)	(5,462,500)
Change in fair value of derivatives - forward contracts	23	106,833,729	36,451,677
Provision for fall / (increase) in value of investments	23	(106,701,983)	(518,658,941)
Impairment provision for the period	25	1,375,203,724	(704,593,708)
Provision/(Reversla) for payables to clients	23	(37,368,136)	25,200,000
Change in fair value of investment property	23	(2,094,584,353)	(78,239,014)
Provision for defined benefit plans	18.2.a	19,303,613	5,986,781
Investment income		(2,333,529,276)	(1,935,901,532)
Finance costs	22	20,891,754,206	13,902,136,761
Operating profit before working capital changes		25,084,980,817	12,985,476,187
Change in other receivables		(28,590,046)	619,496,477
Change in inventories		4,266,676	(8,515,204)
Change in trade and other payables		294,989,124	597,374,890
Change in amounts due to/ due from related parties		(651,264,303)	(7,501,572,236)
Change in factoring receivables		5,936,217,894	6,020,393,797
Change in lease receivables		107,450,033	(7,154,674,237)
Change in hire purchase, loans and advances		4,769,816,501	(5,487,211,635)
Change in margin trading advances		175,570,117	(80,745,099)
Change in fixed deposits from customers		5,421,966,720	23,827,481,998
Change in savings deposits from customers		132,196,309	5,048,050,238
Cash (used in) / generated from operations		41,247,599,841	28,865,555,177
Finance cost paid on deposits		(14,148,202,102)	(11,444,752,742)
Gratuity paid	18.2	(6,643,354)	(1,932,231)
Income tax paid	28.1	(435,575,329)	(332,054,772)
Net cash from / (used in) operating activities		26,657,179,055	17,086,815,432
Cash flows from investing activities			
Acquisition of property, plant & equipment & investment property		(883,129,982)	(2,908,921,761)
Net proceeds from investments in term deposits		4,709,375,906	6,388,657,701
Net proceeds from investments in government securities		(7,314,049,640)	(2,041,284,168)
Net proceeds from investments in Debenture		(308,151,484)	
Interest received		2,333,529,276	1,935,901,532
Proceeds from sale of investment property/PPE		16,617,500	42,662,500
Acquisition of subsidiary - net of cash		-	(12,291,200,000)
Net proceeds from investments in Unit trust		(239,913,490)	(968,166,503)
Net cash flows used in investing activities		(1,685,721,915)	(9,842,350,699)
Cash flows from financing activities			
Proceeds from interest bearing loans & borrowings		(11,921,054,502)	(7,355,500,136)
Proceeds from issuance of new shares (Right issue)		-	5,880,000,000
Proceeds from issue of debentures	13.3	2,500,000,000	
Lease rentals paid	13.2	(269,944,262)	(520,035,822)
Finance cost paid on borrowings		(7,067,612,478)	(1,938,990,970)
Net cash flows from / (used in) financing activities		(16,758,611,242)	(3,934,526,928)
Net increase / (decrease) in cash and cash equivalents		8,212,845,847	3,309,937,804
Addition on merger with subsidiary		-	1,239,463,076
Cash and cash equivalents at the beginning of the period		7,080,196,456	2,530,795,577
Cash and cash equivalents at the end of the period (note 3)		15,293,042,303	7,080,196,457

The annexed notes to the financial statements on pages 10 through 76 form an integral part of these financial statements.

1. GENERAL

1.1 REPORTING ENTITY

1.1.1 Corporate Information

LOLC Finance PLC ("the Company") is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The registered office of the Company is at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011. The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

1.1.2 Parent entity and Ultimate Parent Company

The Company's immediate and ultimate parent undertaking and controlling entity is LOLC Holding PLC, which is incorporated in Sri Lanka.

1.1.3 Principal Activities and Nature of Operations

The principal activities of the Company comprised of leasing, loans, hire purchase, margin trading, mobilization of public deposits and Islamic financing.

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

1.1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

1.1.5 Number of Employees

The staff strength of the Company as at 31 March 2019 was 2602 (2018– 2397).

1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Finance Business Act No.42 of 2011 and amendments there to.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review;
- a Statement of Financial Position providing the information on the financial position of the Company as at the year-end;
- a Statement of Changes in Equity depicting all changes in shareholders of Changes in Equity and depicting all changes the Company;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilize those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

Details of the company's accounting policies are included in Note 2

1.2.2 Date of authorization of issue

The Financial Statements were authorized for issue by the Board of Directors on 26 June 2019

1.2.3 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Derivative financial instruments	Fair value	4
Non-derivative financial instruments at fair value through profit or loss	Fair value	8.1
Available for sale financial assets / fair value through other comprehensive income	Fair value	3.1.2
Investment property	Fair value	10
Land and buildings	Fair value	11
Net defined benefit assets / (liabilities)	Actuarially valued and recognized at the present value	17.2

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position in order of liquidity.

1.2.4 Materiality and aggregation

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

1.2.5 Going concern basis of accounting

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

1.2.6 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period. Comparative information is re-classified wherever necessary to conform the current year presentation. However, the Company has not been restated comparative information for 2017/18 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9). Therefore, the comparative information for 2017/18 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" (LKAS 39). Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of April 1, 2018 and are disclosed in Note 35.

The Company merged with LOLC Micro Credit Ltd on 29 March 2018 and the comparative information presented in the Statement of Profit or Loss and other comprehensive income and all related notes are pertaining to the company prior to merge.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). These financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the company's presentation and functional currency during the year under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with SLFRSs/ LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate 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. The respective carrying amounts of assets and liabilities are given in the related Notes to the financial statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes:

Critical Accounting estimate / judgment	**Disclosure reference**
	Note
Fair value measurement of financial instruments / investment properties / land and buildings	1.4.1 / 10.1 / 11.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on available for sale investments	1.4.4
Impairment losses on other assets	1.4.5
Defined benefit obligation	1.4.6
Provisions for liabilities and contingencies	1.4.7

1.4.1 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group CFO.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 10 – Investment property;
Note 11 – Property, plant and equipment; and
Note 2.3 & 2.24 – Financial instruments;

1.4.2 Financial assets and liability classification into categories

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets or liabilities into categories, the Company has determined that it meets the description of trading assets and liabilities set out in Note 2.3.1.b. In classifying financial assets as held to maturity, the Company has determined that it has both the positive intention and ability to hold the assets unit their maturity date as required by Note 2.3.1.b

1.4.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, 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 and judgment on the effect of concentrations of risks and economic data.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.3.9.

1.4.4 Impairment losses on available for sale investments

The Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances. The Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged decline' in fair value below their cost requires judgment. In making this judgment, the Company evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on available for sale investments is disclosed in Note 2.3.9.

1.4.5 Impairment losses on other assets

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the circumstances that necessitate doing so. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Specific Accounting Policies on impairment of Non-financial assets are discussed in Note 2.7.

1.4.6 Defined benefit obligation

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 2.8.3 for the accounting policy and assumptions used.

1.4.7 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

Index	Accounting policy
2.1	Basis of consolidation
2.2	Foreign currency
2.3	Financial assets and financial liabilities
2.4	Leases
2.5	Investment property
2.6	Property plant and equipment
2.7	Impairment - non-financial assets
2.8	Employee benefits
2.9	Provisions
2.10	Equity movements
2.11	Capital commitments and contingencies
2.12	Events occurring after the reporting date
2.13	Interest income and interest expense
2.14	Fees, commission and other income
2.15	Dividends
2.16	Expenditure recognition
2.17	Income tax expense
2.18	Earnings per share
2.19	Cash flow statements
2.20	Related party transactions
2.21	Operating segments
2.22	Fair value measurement

2.1 Basis of consolidation

2.1.1 Business combinations under common control

Business combinations under common control are accounted for using the book value method. The consideration transferred in the acquisition is generally measured at fair value, and the identifiable net assets acquired are measured at their carrying amounts reflected in the acquiree entity. Any excess or deficit that arises is recognized in equity and no goodwill is recognized as control is not transitory.

2.1.2 Subsidiaries

'Subsidiaries' are investees controlled by the Company. The Company 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

2.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 Foreign currency transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from the retranslation of the available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) are recognized in other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES

2.3 Financial assets and financial liabilities

2.3.1 Non-derivative financial assets

2.3.1.a Initial recognition of financial assets

Date of recognition
The Company initially recognizes loans and receivables and deposits with other financial institutions on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets
The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing the instrument. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Financial Reporting Standard – SLFRS 09 on 'Financial Instruments'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss

'Day 1' profit or loss on employee below market loans
When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.3.1.b Classification of financial assets

The Company classifies non-derivative financial assets into the following categories:
- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

2.3.1.c Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

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 because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test of its classification process. In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument.

For the purposes of this assessment,
"principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"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, as well as profit margin.

Based on above assessments, subsequent measurement of financial assets are classified as follows.

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition measured at amortized cost using the effective interest method, less any impairment losses.

This includes cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, hire purchase receivables, advances and other loans granted, factoring receivables, amount due from related parties and other receivables.

- *Cash and cash equivalents*

  Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

- *Finance leases and hire purchase*

  When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.

- *Advances and other loans to customers*

  Advances and other loans to customers comprised of revolving loans and loans with fixed installment

  Loans to customers are reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for impairment losses.

- *Financial guarantees*

  Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Financial assets at fair value through other comprehensive income (FVOCI)

Instruments are measured at FVOCI, if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding. This comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other investments are measured at fair value after initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets other than those classified at amortized cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs are recognized in statement of profit or loss as incurred.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss

Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as amortized cost.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the AFS reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss

2.3.2 Non-derivative financial liabilities

Classification and subsequent measurement of financial liabilities
The Company initially recognizes non-derivative financial liabilities on the date that they are originated.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, interest bearing borrowings, customer deposits, trade payables, accruals & other payables and amounts due to related parties:

Bank overdrafts

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits and bank borrowings - classified as other financial liabilities carried at amortized cost

Deposits and bank borrowings are the Company's sources of debt funding.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Subsequent to initial recognition deposits and bank borrowings are measured at their amortized cost using the effective interest method.

2.3.3 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the cash flows of the respective hedge item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

These hedging relationships are discussed below.

i. Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Company does not have any fair value hedges

ii. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

iii. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

The Company does not have any net investment hedges.

2.3.3.a Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of other income.

2.3.4 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

2.3.5 Derecognition of financial assets and financial liabilities

Financial assets
The Company derecognizes a financial asset when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either.

(a) The Company has transferred substantially all the risks and rewards of the asset, or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(i) The consideration received (including any new asset obtained less any new liability assumed) and
(ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

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

2.3.6 Offsetting of financial instruments

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

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

2.3.7 Amortized cost measurement

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

2.3.8 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.

Determination of fair value
The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models

2.3.9 Impairment

Overview of the expected credit loss (ECL) principles
SLFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition.

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 months (12M 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.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%. So it is defined as credit impaired and default.

The key judgements and assumption adopted in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available. Based on that, management has decided that an exposure to have significantly increased credit risk when contractual payments of a customer are more than 90 days past due and loss to take place after 180 days in accordance with the rebuttable presumption in SLFRS 9.

Individually Significant Impairment Assessment and Loans which are Not Impaired Individually
Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria:
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument
- Other Information related to the borrower, such as changes in the price of a borrower’s debt/equity instrument
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower’s ability to meet it’s obligation
- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems
- Significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower’s ability to meet the debt obligation

Grouping Financial Assets Measured on a Collective Basis
As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to stage 3. All assets which belong to stage 1 and 2 will be assessed collectively for Impairment.

Company groups smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL
The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- Probability of Default (PD): PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default (EAD): EAD is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

When estimating ECL, Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information
Company relies on broad range of qualitative/quantitative forward looking information as economic inputs such as the following in its Eco model.

Quantitative inputs	Qualitative inputs
- GDP growth	- Changes in Lending Policies and Procedure
- Inflation	- Changes in Bankruptcy and lending related Legislations
- Unemployment	- Credit Growth
- Interest rates	- Position of the Portfolio within the Business Cycle

Identification and measurement of impairment of financial assets under LKAS 39
The Company assessed whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired as at the reporting date. A financial asset or a group of financial assets is “impaired” when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Non-derivative financial assets
A financial asset not carried at fair value through profit or loss was assessed at each reporting date to determine whether there was objective evidence that it is impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that could be estimated reliably. Objective evidence that financial assets were impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables
The Company considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables were assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were collectively assessed for impairment by grouping together loans receivables with similar risk characteristics.

In assessing collective impairment the Company used historical trends of the probability of default, forward looking information, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an impairment allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss was reversed through profit or loss.

Available-for-sale financial assets
Impairment losses on available-for-sale financial assets were recognized by reclassifying losses accumulated in the AFS reserve in equity, to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method were reflected as a component of interest income, If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase could be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss was reversed, with the amount of the reversal recognized in profit or loss.

2.4 Leases

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

2.4.1 Finance Leases

Finance leases – Company as a lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance cost in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases – Company as a lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in "Rentals receivable on leased assets". The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

2.4.2 Operating Leases

Leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased items to the lessee are operating leases

Operating leases – Company as a lessee
Operating lease payments are recognized as an expense in the statement of profit or loss on a straight line basis over the lease term. Contingent rent payable is recognized as an expense in the period in which they are incurred.

Operating leases – Company as a lessor
Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.5 Investment property

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

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

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

2.6 Property plant and equipment

2.6.1 Recognition and measurement

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

Items of property, plant and equipment are measured at cost/ revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in other income/other expenses in profit or loss.

2.23.4.1 Cost model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

3.23.4.1 Revaluation model

The Company revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

2.6.2 Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.6.3 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current year are as follows:

Motor vehicles	4-8 years
Buildings	40 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

2.7 Impairment - non-financial assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.8 Employee benefits

2.8.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.8.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which services are 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 All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.8.3 Defined benefit plans

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 by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses / remeasurement component arising from defined benefit plans immediately in other comprehensive income.
The obligation is not externally funded.

2.9 Provisions

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

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.10 Equity movements

2.10.1 Ordinary shares

The company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.10.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

2.10.3 Share issue costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

2.11 Capital commitments and contingencies

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 recognised in the statement of financial position but are disclosed unless they are remote.

2.12 Events occurring after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES –RECOGNITION OF INCOME AND EXPENSES

2.13 Interest income and interest expense

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

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

Interest income and expense presented in the statement of profit or loss includes the interest on financial assets and financial liabilities measured at amortized cost, fair value through other comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL) calculated on an effective interest basis.

2.13.1 Income from leases, hire purchases and term loans

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognized as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

2.13.2 Factoring

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

2.14 Fees, commission and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognized as the related services are performed.

Collections on contracts written off and interest on overdue rentals are accounted for on cash basis.

2.15 Dividends

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

2.16 Expenditure recognition

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

2.16.1 Value Added Tax (VAT) on financial services

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

The VAT on financial service is recognized as expense in the period it becomes due.

2.16.2 Nation Building Tax on financial services (NBT)

With effect from January 01, 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on financial services.

2.16.3 Lease payments

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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.17 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Note 27 represent the major components of income tax expense to the financial statements.

2.17.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2.17.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. 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.

The relevant disclosures are given in Note 27.2 to the financial statements.

2.18 Earnings per share

The Company presents basic and diluted 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. Specific disclosures are included in Note 28.1. 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, which comprise share options granted to employees. The relevant disclosures are given in 28.2 to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

2.19 Cash flow statements

The cash flow statement has been prepared using the indirect method and direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

SIGNIFICANT ACCOUNTING POLICIES – GENERAL

2.20 Related Party Transactions

Transactions with related parties are conducted in the normal course of business. The relevant disclosures are given in Note 32 to the Financial Statements.

2.21 Operating Segments

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

The Company has three reportable segments, Conventional financial services, Islamic financial services and Factoring, which are the Company's strategic divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 34. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

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

The principal or the most advantageous market must be accessible to the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as investment properties.

Fair Value Hierarchy
The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1
Inputs that are unadjusted quoted market prices 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 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

(a) quoted market 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 value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.23 Financial risk management

2.23.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

2.23.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. All the Company level risks are escalated to the parent company IRMC and the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees the reports submitted by the Enterprise Risk Management (ERM) and monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced. The Audit Committee is assisted in its oversight role by ERM. ERM undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2.23.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from Company's receivable from customers.

2.23.3.1 Management of credit risk

1. Facilities granted to customers

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit department. Credit department, reporting to the Credit Committee, is responsible for management of the Company's credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Chief Credit Officer, CEO and the Board of Directors as appropriate.

3. Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

4. Monitoring limiting concentrations of exposure to counterparties, geographies and industries

5. Developing and maintaining a risk grading for significant clients in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the associated risks.

6. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types.

7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

2) Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of expected losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortized cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

3) Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2019 (2018: no collateral held).

4) Credit quality by class of financial assets at amortized cost ***(In Rs'mn)***

	Leases		Mortgage Loans		Other Loans and Advances		Factoring Receivables		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Carrying amount	**42,942**	**43,605**	**1,471**	**1,536**	**87,646**	**95,537**	**4,254**	**10,639**	**136,313**	**151,317**
Assets at amortized cost										
Individually impaired - Gross amount	873	764	90	14	2,353	2,270	306	481	3,622	3,529
Less : Allowance for impairment	(278)	(580)	(42)	-	(1,000)	(1,471)	(106)	(306)	(1,426)	(2,357)
Carrying amount	**595**	**184**	**48**	**14**	**1,353**	**799**	**200**	**175**	**2,196**	**1,172**
Portfolio subject to collective impairment - Gross amount	43,380	43,594	1,444	1,545	88,615	96,043	5,156	10,917	138,595	152,098
Less : Allowance for impairment	(1,033)	(173)	(21)	(23)	(2,322)	(1,305)	(1,102)	(453)	(4,478)	(1,954)
Carrying amount	**42,347**	**43,421**	**1,423**	**1,522**	**86,293**	**94,738**	**4,054**	**10,464**	**134,117**	**150,144**

An estimate made at the time of borrowing / at the time of impairment evaluation, of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below;

(In Rs'mn)	**2019**	**2018**
Against individually impaired customers :		
Property	891	649
Vehicles	1,105	463

(In Rs'mn)	**2019**	**2018**
Against Collectively impaired customers :		
Vehicles	84,826	83,113
Others	83,214	97,243

Details of non-financial assets obtained by the Company by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements during the period and held at the year ended 31 March are shown below;

(In Rs'mn)	**2019**	**2018**
Property	-	-
Vehicles	1,105	463

Income from individually impaired customers recognized in the statement of profit or loss;

(In Rs'mn)	**2019**	**2018**
Leases	5	1
Mortgage Loan	2	-
Other loans & advances	172	122

The Company's policy is to pursue timely realization of the collateral in an orderly manner. Properties acquired by foreclosure has been considered as investment properties of the Company

Age analysis of facilities considered for collective impairment as at 31 March 2019

Rs' Mn

Category	**Leases**	**Mortgage Loans**	**Other Loans and Advances**	**Factoring Receivables**	**Total**
Not due / current	18,966	286	57,357	2,671	79,280
Overdue :					
Less than 30 days	10,307	408	11,739	875	23,329
31 - 60 days	6,774	214	6,552	151	13,691
61 - 90 days	3,230	78	3,288	40	6,636
91 - 120 days	1,278	49	1,706	43	3,076
121 - 150 days	877	17	2,173	32	3,099
151 - 180 days	439	34	1,251	43	1,767
above 180 days	1,509	358	4,549	1,301	7,717
Total	**43,380**	**1,444**	**88,615**	**5,156**	**138,595**

Age analysis of facilities considered for collective impairment as at 31 March 2018

Rs' Mn

Category	Leases	Mortgage Loans	Other Loans and Advances	Factoring Receivables	Total
Not due / current	19,018	447	70,881	5,407	95,752
Overdue :					
Less than 30 days	11,639	434	11,194	556	23,823
31 - 60 days	7,013	186	5,898	1,240	14,337
61 - 90 days	3,303	39	2,309	717	6,368
91 - 120 days	1,020	76	1,256	418	2,770
121 - 150 days	540	13	1,442	959	2,954
151 - 180 days	398	54	755	368	1,575
above 180 days	663	327	2,277	1,252	4,519
Total	**43,594**	**1,576**	**96,012**	**10,917**	**152,098**

Sensitivity Analysis of Allowance for Impairment Losses as at 31 March 2019

Rs' Mn

Changed criteria	Changed factor	Sensitivity effect on impairment allowance Increase
Probability of default (PD)	Increase by 1%	17
Loss given default (LGD)	Increase by 10%	356

Analysis of total impairment for expected credit losses as at 31st March 2019

Rs' Mn

	Stage 01	Stage 02	Stage 03	Total
Financial assets at amortized cost				
Rentals receivable on leased assets	304	246	760	1,310
Loans and advances	523	430	2,428	3,381
Factoring receivable	270	36	903	1,208
Other financial assets	0	-	-	0
Commitments and Contingencies	-	4	-	4
Total impairment for expected credit losses	**1,097**	**716**	**4,091**	**5,903**

Other than the lending portfolio reflected above no other financial assets shown in note 2.24 was subject to impairment.

5) Concentrations of credit risk

The Company monitors concentrations of credit risk by sector to which the lending was made. The analysis is provided in Note 6.6.1 to the financial statements

2.23.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

2.23.4.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of the Company while maintaining regulatory requirements and debt covenants agreed with the fund providers. The treasury manages the liquidity position as per the treasury policies and procedures and regulatory requirements.

The treasury receives information from the business regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at the ALCO meetings (Asset Liability Committee) and are arranged by the Treasury.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company relies on deposits from customers and bank borrowings as its primary sources of funding. The deposits from customers and banks largely have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

The maturity analysis of financial liabilities based on undiscounted gross outflow is reflected below

In Rs'Mn

	Carrying amounts	Gross nominal outflow / (inflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
As at 31st March 2019							
Bank overdraft	2,242	2,242	2,242	-	-	-	-
Borrowings	61,087	66,302	44,231	15,599	1,759	4,714	-
Deposits from customers	115,365	121,559	26,759	66,209	20,863	7,728	-
Trade payables	1,161	1,161	1,161	-	-	-	-
Accruals and other payables	3,069	3,069	3,069	-	-	-	-
Derivative liabilities	662	10,093	5,338	4,755	-	-	-
Amount due to related companies	818	818	818	-	-	-	-
Total liabilities	**184,404**	**205,244**	**83,618**	**86,563**	**22,622**	**12,441**	**-**
As at 31st March 2018							
Bank overdraft	4,243	4,243	4,243	-	-	-	-
Borrowings	70,490	74,357	51,072	10,446	11,073	1,766	-
Deposits from customers	110,027	122,838	38,996	57,736	15,031	11,076	-
Trade payables	1,593	1,593	1,593	-	-	-	-
Accruals and other payables	2,206	2,206	2,206	-	-	-	-
Derivative liabilities	482	20,285	9,692	10,594	-	-	-
Amount due to related companies	1,497	1,497	1,497	-	-	-	-
Total liabilities	**190,540**	**222,165**	**107,522**	**76,231**	**25,672**	**12,740**	**-**

The maturity analysis of financial assets based on undiscounted gross inflows / (outflows) is reflected below

In Rs'mn

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
As at 31st March 2019							
Cash and cash equivalents	17,536	17,536	17,536	-	-	-	-
Deposits with banks and other financial institutions	21,637	21,828	9,646	12,182	-	-	-
Investment in government securities	18,151	18,502	15,017	3,466	2	17	-
Derivative assets	569	11,295	8,359	2,937	-	-	-
Financial assets at amortized cost							
Rentals receivable on leased assets	42,942	60,857	9,376	18,127	28,237	5,010	107
Loans and advances	88,992	108,326	19,863	30,184	46,932	10,855	493
Factoring receivable	4,254	4,254	4,254	-	-	-	-
Investment securities	2,810	3,030	2,810	-	-	-	220
Amount due from related companies	6	6	6	-	-	-	-
Other receivables	938	939	939	-	-	-	-
	197,835	**246,572**	**87,803**	**66,895**	**75,171**	**15,882**	**820**
As at 31st March 2018							
Cash and cash equivalents	11,323	11,323	11,323	-	-	-	-
Deposits with banks and other financial institutions	26,347	26,609	12,773	13,836	-	-	-
Investment in government securities	10,872	12,018	7,736	4,035	24	24	199
Derivative assets	134	6,749	2,416	4,333	-	-	-
Financial assets at amortized cost							
Rentals receivable on leased assets	43,605	60,211	8,793	17,966	28,227	5,007	219
Loans and advances	97,073	113,807	17,741	34,238	41,670	19,257	900
Factoring receivable	10,639	10,639	10,639	-	-	-	-
Investment securities	1,965	1,965	1,745	-	-	-	220
Amount due from related companies	33	33	33	-	-	-	-
Other receivables	417	417	417	-	-	-	-
	202,407	**243,771**	**73,616**	**74,408**	**69,921**	**24,288**	**1,538**

Contractual Maturities of Commitments & Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31-3-2019 (In Rs'Mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the company	270	-	-	-	-	270
Total	**270**	**-**	**-**	**-**	**-**	**270**
Commitments						
Unutilized loan facilities & letter of credit	11,077	-	-	-	-	11,077
(-) Allowance for ECL / impairment	(4)	-	-	-	-	(4)
Total	**11,073**	**-**	**-**	**-**	**-**	**11,073**

As at 31-3-2018 (In Rs'Mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the company	767	-	-	-	-	767
Total	**767**	**-**	**-**	**-**	**-**	**767**
Commitments						
Unutilized loan facilities & letter of credit	10,992	-	-	-	-	10,992
Total	**10,992**	**-**	**-**	**-**	**-**	**10,992**

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

2.23.5 Market risk

The Company is exposed to the market risk due to changes in market, such as Foreign exchange rates, Interest rate, and equity prices.

Company is exposed to foreign currency risk mainly due to the foreign currency borrowings. The Company manages its exposure to the foreign exchange rates by entering in to forward rate contracts with the banks and placing deposit / maintaining financial assets in the same currency. In this way the Company eliminates substantial exposure on foreign currency risk.

The Company ensures the mix of variable and fixed rate borrowings to manage any exposure due to interest rate movement in the market. These are monitored by the treasury division.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows.

Sensitivity analysis as at 31st March 2019 *In Rs'Mn*

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.19
Interest earning assets						
Deposits with banks and other financial institutions	9,588	12,049	-	-	-	21,637
Investment in government securities & others	14,950	3,188	-	13	-	18,151
Financial assets at amortized cost						
Rentals receivable on leased assets	6,472	11,601	20,741	4,236	97	43,147
Loans and advances	15,782	23,642	39,404	9,294	345	88,468
Factoring receivable	6,670	-	-	-	-	6,670
Total interest earning assets	**53,462**	**50,480**	**60,145**	**13,543**	**442**	**178,073**
Interest bearing liabilities						
Bank overdraft	2,242	-	-	-	-	2,242
Interest bearing borrowings	43,610	14,057	780	2,639	-	61,087
Deposits from customers	32,703	59,276	16,911	6,475	-	115,365
Total interest bearing liabilities	**78,556**	**73,333**	**17,691**	**9,114**	**-**	**178,695**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(25,094)	(22,853)	42,454	4,429	442	(622)
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualized effect	(251)	(229)	425	44	4	-
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualized effect	251	229	(425)	(44)	(4)	-

Sensitivity analysis as at 31st March 2018 *In Rs'Mn*

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.18
Interest earning assets						
Deposits with banks and other financial institutions	12,700	13,647	-	-	-	26,347
Investment in government securities & others	6,787	3,966	-	-	119	10,872
Financial assets at amortized cost						
Rentals receivable on leased assets	6,099	11,876	21,059	4,387	185	43,605
Loans and advances	14,467	27,441	36,071	18,320	774	97,073
Factoring receivable	10,639	-	-	-	-	10,639
Total interest earning assets	**50,691**	**56,930**	**57,130**	**22,706**	**1,079**	**188,536**
Interest bearing liabilities						
Bank overdraft	4,243	-	-	-	-	4,243
Interest bearing borrowings	49,895	9,684	9,284	1,627	-	70,490
Deposits from customers	37,709	51,997	10,763	9,558	-	110,027
Total interest bearing liabilities	**91,847**	**61,681**	**20,048**	**11,186**	**-**	**184,761**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(41,156)	(4,750)	37,082	11,521	1,079	3,775
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualized effect	(412)	(48)	371	115	11	-
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualized effect	412	48	(371)	(115)	(11)	-

2.23.6 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company.

The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.02 of 2006 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital.

The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company's regulatory capital under the CBSL guidelines is as follows;

In Rs'mn

Capital element	**As at 31.03.2019**	**As at 31.03.2018**
Ordinary share capital	7,880	7,880
Statutory Reserve	3,189	1,997
Retained earnings	11,517	7,001
(-) Investment property revaluation	(1,885)	-
Other negative reserves	(61)	(13)
Tier I capital	**20,640**	**16,864**
Subordinated debt	4,232	1,582
Tier II capital	**4,232**	**1,582**
Total capital	**24,872**	**18,446**

2.24 Financial assets and liabilities

2.24.1 Accounting classifications and fair values

The table below sets out the carrying amounts of the Company's financial assets and financial liabilities.

As at 31st March 2019	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortized cost / Not measured at fair value**	**Total Carrying amount**	**Fair value**	**Fair value measurement level**
Cash and cash equivalents	-	-	17,536	17,536	17,536	
Deposits with banks & other financial institutions	-	-	21,637	21,637	21,637	
Investment in government securities & others						
- Measured at fair value	-	6,577	-	6,577	6,577	Level 1
- Measured at amortized cost	-		12,574	12,574	12,574	
Derivative assets	569	-	-	569	569	Level 2
Investment securities	2,500	-	308	2,809	2,809	Level 1
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	42,942	42,942	44,556	Level 2
Loans and advances	-	-	88,996	88,996	90,663	Level 2
Factoring receivable	-	-	4,254	4,254	4,254	
Amount due from related companies	-	-	6	6	6	
Other financial assets	-	-	418	418	418	
Total financial assets	**2,663**	**6,577**	**188,765**	**198,006**	**201,291**	
Bank overdraft	-	-	2,242	2,242	2,242	
Interest bearing borrowings	-	-	61,087	61,087	61,250	Level 2
Deposits from customers	-	-	115,365	115,365	115,964	Level 2
Trade payables	-	-	1,161	1,161	1,161	
Accruals and other payables	-	-	2,958	2,958	2,958	
Derivative liabilities	662	-	-	662	662	Level 2
Amount due to related companies	-	-	818	818	818	
Total financial liabilities	**482**	**-**	**183,631**	**184,293**	**185,055**	

As at 31st March 2018	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income – available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	11,323	11,323	11,323	
Deposits with banks & other financial institutions	-	-	-	26,347	26,347	26,347	
Investment in government securities & others							
- Measured at fair value	-	-	4,381	-	4,381	4,381	Level 1
- Measured at amortized cost	-	-		6,491	6,491	6,491	
Derivative assets	134	-	-	-	134	134	Level 2
Investment securities	-	1,745	-	220	1,965	1,965	Level 1
Financial assets at amortized cost							
Rentals receivable on leased assets	-	-	-	43,605	43,605	45,323	Level 2
Hire purchases, loans and advances	-	-	-	97,098	97,098	96,179	Level 2
Factoring receivable	-	-	-	10,639	10,639	10,639	
Amount due from related companies	-	-	-	33	33	33	
Other financial assets	-	-	-	507	507	507	
Total financial assets	**134**	**1,745**	**4,381**	**196,262**	**202,521**	**203,320**	
Bank overdraft	-	-	-	4,243	4,243	4,243	
Interest bearing borrowings	-	-	-	70,490	70,490	69,755	Level 2
Deposits from customers	-	-	-	110,027	110,027	110,205	Level 2
Trade payables	-	-	-	1,593	1,593	1,593	
Accruals and other payables	-	-	-	2,206	2,206	2,206	
Derivative liabilities	482	-	-	-	482	482	Level 2
Amount due to related companies	-	-	-	1,497	1,497	1,497	
Total financial liabilities	**482**	**-**	**-**	**190,540**	**190,540**	**189,982**	

2.24.2 Valuation technique

Level 2 fair value – market comparison technique

- Derivative assets and liabilities / Forward exchange contracts – fair value is based on broker quotes of similar contracts and the quotes reflect the actual transaction in similar instrument

Level 2 fair value – discounted cash flows

Financial instruments not measured at fair value

For the purpose of disclosing fair value of the financial instruments not measured at fair value (carried at amortized cost) discounted cash flows have been used to derive the fair value.

3.	CASH AND CASH EQUIVALENTS	2019 Rs.	2018 Rs.
3.1	**Favourable cash & cash equivalents balance**		
	Cash in hand and at bank	17,535,538,362	11,323,366,281
3.2	**Unfavourable cash & cash equivalent balances**		
	Bank overdraft	(2,242,496,059)	(4,243,169,825)
	Total cash and cash equivalents for the purpose of cash flow statement	**15,293,042,303**	**7,080,196,456**

4. Investment in government securities and others

	2019	2018
Investment In Government Securities		
Financial instruments - at amortized cost (note 4.1.1)	8,233,594,359	6,490,719,545
Financial instruments - measured at fair value through OCI (note 4.1.2)	6,576,963,654	4,381,048,794
	14,810,558,013	10,871,768,339
Other Investments		
Investments in commercial papers - at amortized cost (note 4.2)	3,340,437,916	-
	18,150,995,929	10,871,768,339

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

4.1 Investment in government securities

		2019		2018	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
4.1.1	**Financial instruments - measured at amortized cost**				
	Investment in Government Standing Deposit Facilities	8,233,594,359	8,233,594,359	6,490,719,545	6,490,719,545
4.1.2	**Financial instruments - measured at fair value through OCI**				
	Investment in Treasury Bills	6,347,898,131	6,347,898,131	2,256,525,000	2,256,525,000
	Investment in Treasury Bonds	229,065,523	229,065,523	2,124,523,794	2,124,523,794
		6,576,963,654	6,576,963,654	4,381,048,794	4,381,048,794

4.1.3 Fair value adjustments recognized in other comprehensive income - current period (net of transfers to P&L)

	2019 Rs.	2018 Rs.
Investment in Treasury Bills	(19,247,666)	(22,078,550)
Investment in Treasury Bonds	(15,574,385)	150,184,047
Net Change in Fair Value	(34,822,051)	128,105,497
Amount transferred to P&L on disposal	-	(16,745,534)
Total recognized in OCI	(34,822,051)	111,359,963

4.1.4 Fair value adjustments recognized in other comprehensive income - cumulative

	2019	2018
Investment in Treasury Bills	(41,348,875)	(22,078,550)
Investment in Treasury Bonds	(639,550)	17,953,574
Adjustment on merger with subsidiary	-	(22,659)
Related Tax	-	(3,018,739)
	(41,988,425)	(7,166,374)

4.2 Investments classified as loans and receivables - carried at amortized cost

	2019		2018	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Investment in commercial papers	3,340,437,916	3,340,437,916	-	-

5. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 Rs.	2018 Rs.
Net derivative assets / (liabilities)		
Derivative assets (note 5.1)	568,529,646	133,540,941
Derivative liabilities (note 5.2)	661,931,132	482,464,342
Net derivative assets / (liabilities)	(93,401,486)	(348,923,401)

5.1 Derivative assets

Forward exchange contracts	568,529,646	133,540,941

5.2 Derivative liabilities

Forward exchange contracts	661,931,132	482,464,342

5.3 Change in fair value during the period - gain/ (loss)

Recognized in profit or loss	106,833,729	(36,451,676)
Recognized in OCI	(362,355,644)	(210,492,330)
	(255,521,915)	(246,944,006)

6. RENTALS RECEIVABLE ON LEASED ASSETS

	2019 Rs.	2018 Rs.
Rentals receivable	67,776,807,308	68,576,766,529
Unearned income	(16,607,445,447)	(16,959,900,923)
Net rentals receivable (note 6.1)	51,169,361,861	51,616,865,606
Deposits received from lessees	(6,917,111,397)	(7,257,165,110)
Allowance for ECL / impairment (note 6.2)	(1,310,413,793)	(754,576,684)
	42,941,836,671	43,605,123,812

6.a Anaysis of rentals receivable on leased assets on Exposure to Credit Risk

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Rentals receivable on leased assets	39,365,912,055	2,755,393,886	2,130,944,524	44,252,250,464
Impairment for expected credit losses (note 6.b)	(304,027,878)	(246,151,732)	(760,234,183)	(1,310,413,793)
Net rentals receivable on leased assets	39,061,884,177	2,509,242,154	1,370,710,341	42,941,836,671

6.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 1st April 2018	406,051,576	243,564,855	566,464,148	1,216,080,580
Net charge to profit or loss	(102,023,698)	2,586,877	193,770,035	94,333,213
Balance as at 31st March 2019	304,027,878	246,151,732	760,234,183	1,310,413,793

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

6. RENTALS RECEIVABLE ON LEASED ASSETS (Contd...)

6.1 Net Rentals Receivable

	2019 Rs.	2018 Rs.
Receivable -more than one year		
Rentals receivable	40,274,071,606	41,767,492,715
Unearned income	(7,484,539,400)	(7,805,859,151)
	32,789,532,206	33,961,633,564
Receivable within one year		
Rentals receivable	24,974,692,645	24,525,835,454
Unearned income	(9,122,906,047)	(9,154,041,772)
	15,851,786,598	15,371,793,682
Overdue		
Rentals receivable	2,528,043,057	2,283,438,360
	2,528,043,057	2,283,438,360
	51,169,361,861	51,616,865,606

6.2 Allowance for ECL / impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	754,576,684	298,372,189
Impact of adopting SLFRS 9	461,503,900	-
Balance as at 1st of April - Adjusted	1,216,080,585	-
Provision / (reversal) for the year	94,333,208	6,419,203
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	449,785,292
Balance as at 31st March	1,310,413,793	754,576,684

6.2.1 Individually significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	580,821,511	156,650,576
Impact of adopting SLFRS 9	(246,035,989)	-
Balance as at 1st of April - Adjusted	334,785,522	-
Provision for the year	(56,796,623)	65,598,948
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	358,571,987
Balance as at 31st March	277,988,899	580,821,511

6.2.2 Individually non-significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	173,755,173	141,721,613
Impact of adopting SLFRS 9	707,539,889	-
Balance as at 1st of April - Adjusted	881,295,063	-
Provision for the year	151,129,831	(59,179,745)
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary		91,213,305
Balance as at 31st March	1,032,424,894	173,755,173

7. LOANS AND ADVANCES

	2019 Rs.	2018 Rs.
Mortgage Loans (note 7.1)	1,469,225,854	1,535,952,494
Sundry Loans (note 7.2)	84,062,288,877	93,375,113,806
Gold Loan (note 7.3)	3,095,548,677	1,986,028,858
Credit Cards (note 7.4)	368,778,391	-
Margin Trading (note 7.5)	-	175,570,117
	88,995,841,800	97,072,665,275

7. LOANS AND ADVANCES (Contd...)

7.a Anaysis of loans and receivables on Exposure to Credit Risk

As at 31st March 2019	**Stage 01 Rs.**	**Stage 02 Rs.**	**Stage 03 Rs.**	**Total Rs.**
Loans and advances				
Mortgage Loans	985,064,716	99,877,509	447,321,998	1,532,264,224
Sundry Loans	76,123,362,998	5,511,362,688	5,687,602,192	87,322,327,878
Gold Loan	2,979,517,918	94,342,538	69,818,872	3,143,679,328
Credit Cards	377,132,780	1,378,359	89,214	378,600,353
Gross loans and advances	80,465,078,412	5,706,961,094	6,204,832,276	92,376,871,783
Impairment for expected credit losses (note 7.b)	(522,958,836)	(430,085,508)	(2,427,985,638)	(3,381,029,983)
Net loans and advances	79,942,119,576	5,276,875,586	3,776,846,638	88,995,841,800

7.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	**Stage 02 Rs.**	**Stage 03 Rs.**	**Total Rs.**
Balance as at 1st April 2018	499,679,783	195,299,091	1,856,004,720	2,550,983,594
Net charge to profit or loss				
Loans and advances				
Mortgage Loans	(1,938,078)	(4,133,270)	(3,632,045)	(9,703,393)
Sundry Loans	9,608,258	222,289,100	570,154,545	802,051,903
Gold Loan	6,171,273	16,332,193	5,369,204	27,872,671
Credit Cards	9,437,600	298,394	89,214	9,825,208
Balance as at 31st March 2019	522,958,836	430,085,508	2,427,985,638	3,381,029,983

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

7.1 Mortgage Loans

	2019 Rs.	**2018 Rs.**
Rentals receivable	2,072,075,294	2,156,395,499
Unearned income	(539,811,070)	(597,039,874)
Net rentals receivable (note 7.1.1)	1,532,264,224	1,559,355,625
Allowance for ECL / impairment (note 7.1.2)	(63,038,370)	(23,403,131)
	1,469,225,854	1,535,952,494

7.1.1 Net rentals receivable - Mortgage Loans

Receivable -more than one year	1,247,147,632	1,355,776,854
Installments receivable	(304,552,902)	(368,454,676)
Unearned income	942,594,730	987,322,178
Receivable within one year	590,363,058	538,600,063
Installments receivable	(235,258,168)	(228,585,198)
Unearned income	355,104,890	310,014,865
Overdue	234,564,603	262,018,582
Installments receivable	1,532,264,224	1,559,355,625

7. LOANS AND ADVANCES (Contd...)

7.1.2 Allowance for ECL / impairment - Mortgage Loans	2019 Rs.	2018 Rs.
Balance as at 1st of April	23,403,131	89,882,272
Impact of adopting SLFRS 9	49,338,632	-
Balance as at 1st of April - Adjusted	72,741,763	-
Provision / (reversal) for the year	(9,703,393)	(66,479,141)
Balance as at 31st March	63,038,370	23,403,131

7.1.2.a Individually significant clients - impairment

Balance as at 1st of April	-	14,458,744
Provision / (reversal) for the year	41,905,876	(14,458,744)
Balance as at 31st March	41,905,876	-

7.1.2.b Individually non-significant clients - impairment

Balance as at 1st of April	23,403,131	75,423,528
Impact of adopting SLFRS 9	49,338,632	-
Balance as at 1st of April - Adjusted	72,741,763	-
Provision / (reversal) for the year	(51,609,270)	(52,020,397)
Balance as at 31st March	21,132,494	23,403,131

7.2 Sundry Loans	2019 Rs.	2018 Rs.
Total receivable	102,613,321,375	111,523,096,117
Unearned income	(15,290,993,497)	(15,394,224,894)
Net receivable (note 7.2.1)	87,322,327,878	96,128,871,223
Allowance for ECL / impairment (note 7.2.2)	(3,260,039,001)	(2,753,757,417)
	84,062,288,877	93,375,113,806

7.2.1 Net receivable - Sundry Loans

Receivable -more than one year		
Installments receivable	56,913,990,368	60,960,466,513
Unearned income	(6,784,460,179)	(5,921,256,642)
	50,129,530,189	55,039,209,871
Receivable within one year		
Installments receivable	40,473,600,692	46,890,586,780
Unearned income	(8,506,533,318)	(9,472,968,252)
	31,967,067,374	37,417,618,529
Overdue		
Installments receivable	5,225,730,315	3,672,042,823
	87,322,327,878	96,128,871,223

7.2.2 Allowance for ECL / impairment - Sundry Loans	2019 Rs.	2018 Rs.
Balance as at 1st of April	2,753,757,417	1,475,783,030
Impact of adopting SLFRS 9	(295,773,568)	-
Balance as at 1st of April - Adjusted	2,457,983,849	-
Provision / (reversal) for the year	802,055,151	184,491,104
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	1,093,483,283
Balance as at 31st March	3,260,039,001	2,753,757,417

7. LOANS AND ADVANCES (Contd...)

7.2.2.a Individually significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	1,465,346,615	583,998,341
Impact of adopting SLFRS 9	(496,232,992)	-
Balance as at 1st of April - Adjusted	969,113,623	-
Provision / (reversal) for the year	25,683,771	375,267,781
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	506,080,492
Balance as at 31st March	994,797,394	1,465,346,615

7.2.2.b Individually non-significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	1,288,410,802	891,784,689
Impact of adopting SLFRS 9	200,459,424	-
Balance as at 1st of April - Adjusted	1,488,870,226	-
Provision for the year	776,371,380	(190,776,678)
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary		587,402,790
Balance as at 31st March	2,265,241,606	1,288,410,802

7.3 Gold loans

	2019 Rs.	2018 Rs.
Gross amount outstanding at year end	3,143,679,328	2,008,687,323
Allowance for ECL / impairment (note 7.3.1)	(48,130,651)	(22,658,465)
Balance as at 31st March	3,095,548,677	1,986,028,858

7.3.1 Allowance for ECL / impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	22,658,465	-
Impact of adopting SLFRS 9	(2,400,485)	-
Balance as at 1st of April - Adjusted	20,257,980	-
Provision / (reversal) for the year	27,872,671	-
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	22,658,465
Balance as at 31st March	48,130,651	22,658,465

7.3.1.a Individually significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	5,284,102	-
Provision / (reversal) for the year	-	-
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	5,284,102
Balance as at 31st March	5,284,102	5,284,102

7.3.1.b Individually non-significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	17,374,363	-
Impact of adopting SLFRS 9	(2,400,485)	-
Balance as at 1st of April - Adjusted	14,973,877	-
Provision for the year	27,872,671	-
Addition on acquisition of subsidiary	-	-
Addition on merger with subsidiary	-	17,374,363
Balance as at 31st March	42,846,549	17,374,363

7. LOANS AND ADVANCES (Contd...)

7.4 Credit Card

	2019 Rs.	2018 Rs.
Gross amount outstanding at year end	378,600,353	-
Allowance for ECL / impairment (note 7.4.1)	(9,821,962)	-
Balance as at 31st March	368,778,391	-

7.4.1 Allowance for ECL / impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	-	-
Provision / (reversal) for the year	9,821,962	-
Balance as at 31st March	9,821,962	-

Individually non-significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	-	-
Provision for the year	9,821,962	-
Balance as at 31st March	9,821,962	-

7.5 Margin Trading Receivables

	2019 Rs.	2018 Rs.
Gross amount outstanding at year end	-	175,570,117
Allowance for ECL / impairment	-	-
Net balance on margin trading	-	175,570,117

7.6 Factoring Receivables

	2019 Rs.	2018 Rs.
Gross receivable	5,461,768,390	11,397,986,284
Allowance for ECL / impairment (note 6.5.1)	(1,208,100,488)	(759,231,341)
	4,253,667,902	10,638,754,943

7.6.a Anaysis of factoring receivable on Exposure to Credit Risk

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Factoring receivable	3,736,224,832	118,476,630	1,607,066,928	5,461,768,390
Impairment for expected credit losses (note 7.6.b)	(269,789,072)	(35,803,705)	(902,507,710)	(1,208,100,488)
Net factoring receivable	3,466,435,760	82,672,925	704,559,218	4,253,667,902

7.6.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 1st April 2018	159,929,899	280,404,932	402,671,582	843,006,413
Net charge to profit or loss	109,859,173	(244,601,227)	499,836,128	365,094,075
Balance as at 31st March 2019	269,789,072	35,803,705	902,507,710	1,208,100,488

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

7. LOANS AND ADVANCES (Contd...)

7.6.1 Allowance for ECL / impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	759,231,341	997,454,083
Impact of adopting SLFRS 9	83,775,072	-
Balance as at 1st of April - Adjusted	843,006,413	-
Provision / (reversal) for the year	365,094,075	(238,222,742)
Balance as at 31st March	1,208,100,488	759,231,341

7.6.1.a Individually significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	306,067,774	637,963,138
Provision / (reversal) for the year	(200,408,117)	(331,895,365)
Balance as at 31st March	105,659,657	306,067,774

7.6.1.b Individually non-significant clients - impairment

	2019 Rs.	2018 Rs.
Balance as at 1st of April	453,163,567	359,490,945
Impact of adopting SLFRS 9	83,775,072	-
Balance as at 1st of April - Adjusted	536,938,639	-
Provision for the year	565,502,192	93,672,622
Balance as at 31st March	1,102,440,831	453,163,567

7.7 Portfolio Analysis

7.7.1 Sectorwise exposure of the lending portfolio - before impairment provision

	2019 Rs.	2018 Rs.
Agriculture	21,672,402,941	23,462,058,315
Manufacturing	7,987,920,749	10,503,340,695
Economics And Social	1,517,021,621	1,471,492,544
Trade	24,267,917,881	24,330,862,923
Factoring	5,461,768,390	11,397,986,284
Margin Trading	-	175,327,776
Tourism	1,622,932,704	13,642,442,095
Services	24,556,930,853	24,703,022,721
Transportation	11,232,919,160	11,434,468,001
Construction	7,350,894,574	7,986,587,895
Mining and Quarrying	472,782,577	335,123,972
Others	35,947,399,186	26,187,457,849
	142,090,890,637	155,630,171,068

7.7.2 Product wise analysis of portfolio

	2019 Rs.	2018 Rs.
Lease receivables	40,770,406,810	41,224,887,788
Loans & Advances	86,093,407,586	91,772,162,342
Factoring receivables	5,461,768,390	11,397,986,284
Margin trading receivables	-	175,570,117
Islamic business portfolio - Ijarah receivables	3,481,843,654	3,134,812,708
Islamic business portfolio - Other receivables (Murabaha, Musharakah etc.)	6,283,464,197	7,924,751,829
Gross portfolio	142,090,890,637	155,630,171,068
Less : Allowance for ECL / impairment	(5,899,544,264)	(4,313,627,038)
Net portfolio	136,191,346,373	151,316,544,030

7. LOANS AND ADVANCES (Contd...)

7.7.3 Net portfolio

	2019 Rs.	2018 Rs.
Rentals receivable on Leased Assets (note 6)	42,941,836,671	43,605,123,812
Loans and Advances (note 7)	88,995,841,800	97,072,665,275
Factoring receivable (note 7.6)	4,253,667,902	10,638,754,943
	136,191,346,373	151,316,544,030

8. INVESTMENT SECURITIES

	2019 Rs.	2018 Rs.
Investment securities measured at amortised cost (note 8.2)	308,983,277	66,125,000
Investment securities measured at FVTPL – debt / equity investments (note 8.1 / 8.2.2)	2,324,115,866	1,745,523,691
Investment securities measured at FVOCI – equity investments (note 8.2.3)	176,130,000	153,650,000
	2,809,229,143	1,965,298,691

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

8.1 Investment securities measured at FVTPL – debt / equity investments

Previously these investment securities classified under held for trading and as per SLFRS 09 requirements these are coming under fair value through profit or loss (FVTPL).

Expo Lanka Holdings PLC	2019 Rs.	2018 Rs.
Original cost	18,000,000	18,000,000
Carrying amount as at 1st April	4,900,000	6,600,000
Adjustment for change in fair value - recognized in profits	(900,000)	(1,700,000)
Carrying amount as at 31st March	4,000,000	4,900,000
Investment in Unit Trusts		
Original cost	1,980,000,000	1,575,000,000
Carrying amount as at 1st April	1,740,086,516	251,561,072
Investments during the year	1,980,000,000	10,340,000,000
Disposal during the year	(1,763,135,980)	(9,371,833,497)
Adjustment for change in fair value - recognized in profits	133,622,948	520,358,941
Carrying amount as at 31st March	2,090,573,484	1,740,086,516
Total investments held for trading	2,094,573,484	1,744,986,516

8.2.1 Investment securities measured at amortised cost

Credit Information Bureau Ltd	537,175	537,175
Investment in Debentures	308,767,718	-
Impairment for expected credit losses (Note 8.2.1.a)	(321,616)	-
	308,983,277	537,175

8.2.1.a Anaysis of Investment securities measured at amortised cost on Exposure to Credit Risk

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Investment securities measured at amortised cost	309,304,893	-	-	309,304,893
Impairment for expected credit losses (note 8.2.1.b)	(321,616)	-	-	(321,616)
Net Investment securities measured at amortised cost	308,983,277	-	-	308,983,277

8.2.1.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 1st April 2018	-	-	-	-
Net charge to profit or loss	321,616	-	-	321,616
Balance as at 31st March 2019	321,616	-	-	321,616

8. INVESTMENT SECURITIES (Contd…)

		2019	2018
8.2.2	**Investment securities measured at FVTPL – equity investments**	**Rs.**	**Rs.**
	LOLC Myanmar Micro Finance Company Ltd		
	Carrying amount as at 1st April	66,125,000	66,125,000
	Impact of adopting SLFRS 9	167,005,111	-
	Carrying amount as at 1st April - Adjusted	233,130,111	-
	Adjustment for change in fair value - recognized in profit or loss	(3,587,729)	-
	Carrying amount as at 31st March	229,542,382	66,125,000
8.2.3	**Investment securities measured at FVOCI – equity investments**		
	LOLC Asia (Pvt) Ltd		
	Carrying amount as at 1st April	153,650,000	-
	Addition on merger with subsidiary	-	153,650,000
	Adjustment for change in fair value - recognized in OCI	22,480,000	-
	Carrying amount as at 31st March	176,130,000	153,650,000
	Total	406,209,557	220,312,175

9. AMOUNTS DUE FROM RELATED COMPANIES

	Relationship	2019 Rs.	2018 Rs.
LOLC Asset Holding Co/ LOLC Life Assurance Co.	Fellow subsidiary	-	5,254,840
LOLC Insurance - General Ltd	Fellow subsidiary	-	20,897,301
Commercial Leasing and Finance PLC	Fellow subsidiary	2,369,595	762,755
LOLC Securities Ltd	Fellow subsidiary	6,707	3,339
Dickwella Resorts (pvt) Ltd	Fellow subsidiary	-	5,005
Browns Investments Co Ltd	Fellow subsidiary	-	60,459
Eden Hotel Lanka PLC	Fellow subsidiary	158,431	69,726
Brown & Co. Ltd	Fellow subsidiary	-	141,237
Sports Club AC	Fellow subsidiary	-	856,440
I Pay (Pvt) Ltd	Fellow subsidiary	350,168	-
Green Paradise	Fellow subsidiary	23,249	13,362
Sun & Fun Resorts Ltd.	Fellow subsidiary	94,811	21,843
LOLC Development Finance PLC	Fellow subsidiary	197,140	1,657,095
Excel Restaurants (Pvt) Ltd	Fellow subsidiary	1,353,034	24,931
LOLC Insurance - Life Ltd	Fellow subsidiary	-	2,930,986
Millenium Development (pvt) Ltd	Fellow subsidiary	744,476	-
LOLC Micro Investment Ltd	Fellow subsidiary	271,680	210,073
		5,569,291	32,909,393

10. OTHER RECEIVABLES

	2019 Rs.	2018 Rs.
Financial Assets		
Staff loans	299,161,642	303,862,169
Other receivables	584,096,086	92,668,586
Provision on other receivable	(508,589,694)	(90,000,144)
	374,668,034	306,530,611
Non Financial Assets		
VAT receivable	193,579,655	350,973,408
WHT recoverable	78,480,935	22,834,850
Prepaid staff cost	247,256,636	113,415,906
Miscellaneous receivables	43,955,973	328,741,604
	563,273,200	815,965,768
Total Other receivables	937,941,234	1,122,496,378

As per the memorandum of understanding agreement entered for Government Debt Relief Scheme on 8th January 2019, Rs.101,829,309.88 had to be received from Ministry of Finance and out of that Rs.16,971,551.65 received on 18th March 2019. Balance part is included in "Other receivables".

11. INVESTMENT PROPERTIES

	2019 Rs.	2018 Rs.
Balance as at 1st April	6,278,187,226	906,300,000
Additions to Investment Properties from foreclosure of contracts	2,425,017,357	752,966,448
Additions and improvements		
- Improvements	50,000,796	49,776,809
- Additions	803,255,268	2,765,417,980
- Transfers from property, plant and equipment	-	1,643,651,422
- Addition on merger with subsidiary	-	119,035,553
Disposals	(15,834,000)	(37,200,000)
Change in fair value	2,094,584,353	78,239,014
Balance as at 31st March	11,635,211,000	6,278,187,226

- Investment Properties includes bare lands and land and buildings acquired by the company from clients who defaulted on accommodations granted and purchased properties. These properties are held by the Company for capital appreciation and rental purposes.
- The company incurred expenses for the improvements of the investment properties and received rent income amounting to Rs 92,490,264 during the current financial year. (2017-2018 - 27,720,285) from these properties.
- During the financial year company has incurred expenses amounting to Rs 2,792,055 for maintenance of the investment property. (2017/2018 - Rs.310,685)
- Changes in fair values are recognised as gains in profit or loss and included in 'Net other operating income'.

11. INVESTMENT PROPERTIES (Contd...)

11.1 Measurement of fair values

1.) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31 March 2019. The fair value has been determine based on valuation perform by Mr. W M Chandrasena, FIV (SL) Marics (UK) Chartered Valuation Surveyor

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

2.) Valuation technique

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.1,200,000 to Rs.10,250,000 in the Colombo area and Rs.1,370,000 to Rs.3,500,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

12. PROPERTY, PLANT AND EQUIPMENT

Company	**Land**	**Building**	**Leasehold Motor Vehicles**	**Other equipment**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cost/Valuation					
Balance as at 01 April 2018	141,719,000	99,000,000	1,843,736,965	-	2,084,455,965
Additions	-	16,918,640	-	12,955,278	29,873,918
Disposals	-	-	(29,496,429)	-	(29,496,429)
Revaluation	-	-	-	-	-
Balance As at 31 March 2019	141,719,000	115,918,640	1,814,240,536	12,955,278	2,084,833,454
Accumulated Depreciation					
Balance as at 01 April 2018	-	1,258,569	368,705,925	-	369,964,494
Charge for the year	-	2,485,281	161,012,810	-	163,498,091
Depreciation on disposals	-	-	(7,654,068)	-	(7,654,068)
Revaluation	-	-	-	-	-
Balance As at 31 March 2019	-	3,743,850	522,064,667	-	525,808,517
Carrying Amount					
As at 31 March 2019	141,719,000	112,174,791	1,292,175,869	12,955,278	1,559,024,937

Company	**Land**	**Building**	**Leasehold Motor Vehicles**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cost/Valuation				
Balance as at 01 April 2017	899,400,000	99,151,245	1,818,236,965	2,816,788,210
Additions	60,719,000	36,685,918	25,500,000	122,904,918
Addition arising from merger of subsidiary	690,856,700	56,083,800	-	746,940,500
Revaluation	14,804,800	27,916,200	-	42,721,000
Transfers to investment properties	(1,524,061,500)	(120,837,162)	-	(1,644,898,662)
Balance as at 31 March 2018	141,719,000	99,000,000	1,843,736,965	2,084,455,965
Accumulated Depreciation				
Balance as at 01 April 2017	-	123,884	195,642,283	195,766,167
Charge for the year	-	752,877	173,063,643	173,816,520
Addition arising from merger of subsidiary	-	2,022,296	-	2,022,296
Revaluation	-	(393,247)	-	(393,247)
Transfers to investment properties	-	(1,247,240)	-	(1,247,240)
Balance as at 31 March 2018	-	1,258,570	368,705,925	369,964,495
Carrying Amount				
As at 31 March 2018	141,719,000	97,741,430	1,475,031,040	1,714,491,470

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

Group	Land	Building	Leasehold Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
Cost/Valuation				
Balance as at 01 April 2017	899,400,000	99,151,245	1,818,236,965	2,816,788,210
Additions	60,719,000	36,685,918	25,500,000	122,904,918
Addition arising from merger of subsidiary	690,856,700	56,083,800	-	746,940,500
Revaluation	14,804,800	27,916,200	-	42,721,000
Transfers to investment properties	(1,524,061,500)	(120,837,162)	-	(1,644,898,662)
Balance as at 31 March 2018	141,719,000	99,000,000	1,843,736,965	2,084,455,965
Accumulated Depreciation				
Balance as at 01 April 2017	-	123,884	195,642,283	195,766,167
Charge for the year	-	220,396	173,063,643	173,284,039
Addition arising from merger of subsidiary	-	2,554,776	-	2,554,776
Revaluation	-	(393,247)	-	(393,247)
Transfers to investment properties	-	(1,247,240)	-	(1,247,240)
Balance as at 31 March 2018	-	1,258,569	368,705,926	369,964,495
Carrying Amount				
As at 31 March 2018	141,719,000	97,741,431	1,475,031,039	1,714,491,470

Property, plant and equipment pledged as security for liabilities

The carrying value of motor vehicles amounting to Rs. 1,292,175,869 As at 31 March 2019 (2018 - Rs. 1,475,031,040) are purchased under finance leases and have been pledged as security for the related finance lease liabilities, details of which are disclosed in Note 12.2

Assets given under operating leases

The motor vehicles of the company represents assets given under operating leases under short term and long term basis.
An analysis of the rentals to be received on such operating leases are as follows.

	2019	2018
	Rs.	Rs.
Receivable within one year	291,922,375	315,536,900
Receivable within 1-5 years	339,829,100	636,972,325
Receivable after 5 years	-	-
Total	631,751,475	952,509,225

Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31st March 2019 and 31st March 2018.

Fully depreciated property, plant and equipment

There were no property, plant and equipment fully depreciated as at 31st March 2019 and 31st March 2018.

12.1 Measurement of fair values

1.) Fair value hierarchy
The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31 March 2019.

The fair value measurement for all of the land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

2.) Valuation technique
The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.1,200,000 to Rs.10,250,000 in the Colombo area and Rs.1,370,000 to Rs.3,500,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

12.2 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;

As at 31 March	2019	2018
	Rs.	Rs.
Cost	257,637,640	197,998,000
Accumulated depreciation and impairment	(3,743,850)	(1,651,816)
Carrying value	253,893,791	196,346,184

13. INTEREST BEARING BORROWINGS

	2019 Rs.	2018 Rs.
Short-term loans	17,488,818,258	19,266,537,000
Long-term borrowings (note 13.1)	35,056,235,627	44,804,489,476
Finance leases (note 13.2)	291,251,902	561,196,164
Debentures (note 13.3)	7,450,000,000	4,950,000,000
Total borrowings	60,286,305,787	69,582,222,640
Interest payable	800,591,285	908,209,720
Liability recognized in statement of financial position	61,086,897,072	70,490,432,361

13.1 Long-term borrowings

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	44,804,489,476	11,841,978,667
Loans obtained during the year	-	1,549,626,302
Loans transferred on merger with Subsidiary	-	36,059,933,392
Repaid during the year	(9,748,253,849)	(4,647,048,885)
Balance at the end of the year	35,056,235,627	44,804,489,476
Long-term borrowings - current	34,889,835,627	39,132,421,898
Long-term borrowings - non-current (note 13.1.a)	166,400,000	5,672,067,578
	35,056,235,627	44,804,489,476

13.1.a Analysis of non-current portion of long-term borrowings

	2019 Rs.	2018 Rs.
Repayable within 1-3 years	166,400,000	4,068,180,359
Repayable after 3 years	-	1,603,887,219
	166,400,000	5,672,067,578

The borrowings includes long term and short term loans which carry interest rates which are variable and are reset on a monthly / quarterly / semi-annually / annual basis. Consequent to the merger with the LOLC Micro Credit Ltd on 29th March 2018 certain micro business related debt covenants were not met in the merged entity (LOLC Finance PLC). As a result loans amounting to Rs.24,767,115,353 has been classified as current even though the contractual maturity is long term. Of this amount Rs.21,816,556,016 has a contractual maturity within 1-3 years and Rs.2,950,559,338 has a maturity after 3 years.

13.2 Finance leases

	2019 Rs.	2018 Rs.
Gross lease rentals payable as at 1 April	643,167,083	1,242,509,975
Lease obtained during the year	-	15,403,013
Lease rentals paid during the year	(318,608,872)	(614,745,905)
Gross lease rentals payable as at 31 March	324,558,211	643,167,083
Less: Interest in suspense	(33,306,309)	(81,970,920)
Balance at the end of the year / present value of minimum lease payments	291,251,902	561,196,164

13.2.1 Analysis of finance leases

	2019 Rs.	2018 Rs.
Repayable within one year (note 13.2.1.a)	179,826,441	271,487,490
Repayable within 1-5 years (note 13.2.1.b)	111,425,461	289,708,674
	291,251,902	561,196,164

13.2.1.a Repayable within one year

	2019 Rs.	2018 Rs.
Gross lease rentals payable	203,216,407	320,152,101
Less: interest in suspense	(23,389,967)	(48,664,611)
	179,826,441	271,487,490

13.2.1.b Repayable within 1-5 years

	2019 Rs.	2018 Rs.
Gross lease rentals payable	121,341,803	323,014,983
Less: interest in suspense	(9,916,342)	(33,306,309)
	111,425,461	289,708,674

13.3 Debentures

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	4,950,000,000	4,950,000,000
Debenture issued during the year (net of transaction cost)	2,500,000,000	-
Balance at the end of the year	7,450,000,000	4,950,000,000

The company issued rated unsecured subordinated redeemable debentures, fifty million (50,000,000) totalling to Rs. 5Bn in 2014-15 and thirty four million (34,110,193) totalling to Rs. 2.5Bn in 2018-19 with a five year maturity duration, incurring transaction costs. These debentures are listed in the Colombo Stock Exchange. The amortization of the transaction cost is included in the interest payable amount.

14 DEPOSITS FROM CUSTOMERS

	2019 Rs.	2018 Rs.
Customer deposits	112,110,392,799	106,556,229,770
Interest / profit payable		
Interest payable on deposits	3,077,343,549	3,299,313,250
Profits payable to Islamic Business Unit deposit holders	177,404,841	171,877,079
	3,254,748,390	3,471,190,329
Deposit liability recognized in statement of financial position	115,365,141,189	110,027,420,099

14.1 Analysis of customer deposits based on nature

	2019 Rs.	2018 Rs.
Fixed deposits - conventional	96,101,566,232	87,057,854,894
Fixed deposits - Islamic - Mudharabah	2,964,713,514	3,870,609,137
Fixed deposits - Islamic - Wakala	4,013,487,873	5,373,530,266
Fixed deposits - foreign currency	1,400,653,404	2,688,605,506
Fixed deposit bonds	125,495,900	193,350,400
Savings deposits - conventional	1,748,212,890	1,867,641,169
Savings deposits - Islamic	705,719,249	860,562,263
Savings deposits - foreign currency	5,050,543,737	4,644,076,135
Total deposits	112,110,392,799	106,556,229,770

14.2 Deposits based on maturity

	2019 Rs.	2018 Rs.
Deposits maturing within one year	89,270,928,959	86,736,355,447
Deposits maturing after one year	22,839,463,840	19,819,874,323
	112,110,392,799	106,556,229,770

15. TRADE PAYABLES

	2019 Rs.	2018 Rs.
Creditors for lease equipment and approved facilities to be disbursed	1,161,094,413	1,593,495,580

16. ACCRUALS AND OTHER PAYABLES

	2019 Rs.	2018 Rs.
Excess payments received from clients	239,775,732	147,894,229
Insurance payable	51,725,604	41,619,532
VAT / other tax payable	5,638,110	105,302,325
Other miscellaneous creditors	2,497,673,937	1,732,533,034
Payable on matured deposits	259,423,451	340,374,030
Stamp duty payable	14,612,260	20,652,737
Allowance for impairment (ECL) - Undrawn credit facilities	3,604,443	-
	3,072,453,537	2,388,375,887

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

17. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	2019 Rs.	2018 Rs.
Lanka Orix Leasing Company PLC	Parent	698,749,736	952,626,317
Lanka Orix Leasing Company PLC-Refinance Loans	Parent	-	10,494,870
LOLC Corporate services Ltd	Fellow subsidiary	560,719	981,255
LOLC Factors Ltd	Fellow subsidiary	87,084,337	507,035,755
LOLC Motors Ltd	Fellow subsidiary	5,784,600	5,980,455
LOLC Information Technology Services Limited	Fellow subsidiary	17,576,095	19,880,898
LOLC Insurance - General Ltd	Fellow subsidiary	5,099,463	
LOLC Insurance - Life Ltd	Fellow subsidiary	2,789,146	
		817,644,096	1,496,999,551

18. EMPLOYEE BENEFITS

18.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

	2019 Rs.	2018 Rs.
Employees' Provident Fund		
Employers' contribution	125,756,190	44,204,734
Employees' contribution	83,837,460	29,469,822
Employees' Trust Fund	31,440,648	11,051,183

As at 31 March,

18.2 Defined benefit plan

Movement in the present value of the defined benefit obligation

	Company 2019 Rs.	Company 2018 Rs.
Defined benefit obligation as of 01 April	70,303,298	17,018,130
Transferred on merger with Subsidiary	-	46,621,222
Expense included in Personnel Expenses	19,303,613	5,986,781
Remeasurement Component	4,097,431	2,609,396
	23,401,044	55,217,399
Benefits paid	(6,643,354)	(1,932,231)
Defined benefit obligation as at 31st March	**87,060,988**	**70,303,298**

18.2.a Expense included in Personnel Expenses

	2019	2018
Current Service Cost	11,570,251	3,944,606
Interest Cost	7,733,362	2,042,175
	19,303,613	**5,986,781**

18.2.b Actuarial gains and losses recognised in other comprehensive income

	2019	2018
Cumulative loss as at 1st April	7,054,769	4,445,373
(Gain) / loss recognised during the period	4,097,431	2,609,396
Cumulative loss as at 31st March	**11,152,200**	**7,054,769**

Acturial valuation for defined benefit obligation was carried out As at 31 March 2019 by Mr. P.S. Goonatilleke, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

18.2.c Key assumptions used in the above valuation are as follows:

	2019	2018
Discount Rate	11.00%	11.00%
Salary Increment Rate	9.00%	9.00%
Retirement Age	55	55
Staff Turnover	2.5% - 15%	2.5% - 15%

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 Years of service.

Assumptions regarding future mortality are based on published statistics and mortality tables.
The plan is not externally funded.

18.2.d Sensitivity analysis of the defined benefit obligation

The effect on the defined benefit obligation at the year end, as a result of changes in the actuarial assumptions used, is shown below.

As at 31 March,	2019 Rs.	2018 Rs.
The defined benefit obligation under current assumptions	87,060,988	70,303,298
The defined benefit obligation if the discount rate increased by 100 basis points	76,202,623	63,795,919
The defined benefit obligation if the discount rate reduced by 100 basis points	94,156,926	77,856,221
The defined benefit obligation if the salary increment rate increased by 1%	95,144,966	78,186,716
The defined benefit obligation if the salary increment rate reduced by 1%	75,297,073	63,428,522
The change in the defined benefit obligation if the discount rate increased by 100 basis points	(10,858,365)	(6,507,379)
The change in the defined benefit obligation if the discount rate reduced by 100 basis points	7,095,938	7,552,923
The change in the defined benefit obligation if the salary increment rate increased by 1%	8,083,978	7,883,418
The change in the defined benefit obligation if the salary increment rate reduced by 1%	(11,763,915)	(6,874,776)

18.2.e Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

	2019	2018
Within the next 12 months	10,793,304	8,922,809
Between 1 and 2 years	14,402,320	10,555,975
Between 2 and 5 years	59,523,588	50,889,833
Between 5 and 10 years	161,730,019	149,766,472
Total expected payments	**246,449,231**	**220,135,089**

19. STATED CAPITAL

	2019		2018	
	Number of shares	Rs.	Number of shares	Rs.
Balance at the beginning of the year	4,200,000,000	7,880,000,000	2,800,000,000	2,000,000,000
Issue of shares for cash			1,400,000,000	5,880,000,000
Balance at the end of the year	4,200,000,000	7,880,000,000	4,200,000,000	7,880,000,000

Rights, preference and restrictions of classes of capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to have one vote per individual present at meetings of the shareholders or one vote per share in case of a poll. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

20. RESERVES

	2019 Rs.	2018 Rs.
Statutory reserve (note 20.1)	3,189,297,618	1,996,724,011
Revaluation reserve (note 20.2)	241,527,671	241,527,671
Cash flow hedge reserve (note 20.3)	(39,059,403)	(6,333,136)
Available for sale investment reserve (note 20.4)	-	(7,166,375)
Retained earnings (note 20.5)	11,516,578,925	7,000,881,586
	14,908,344,810	9,225,633,756

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

20.1 Statutory reserve

	2019	2018
Balance at the beginning of the year	1,996,724,011	1,556,438,753
Transferred during the year	1,192,573,607	440,285,258
Balance at the end of the year	3,189,297,618	1,996,724,011

The reserve is created according to Direction No.1 of 2003 issued under the Finance Business Act No.42 of 2011. The Company transferred 20% (2017/18 - 20%) of its annual net profit after tax to this reserve in compliance with this direction.

20.2 Revaluation Reserve

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	241,527,671	206,229,960
Transferred during the year	-	-
Adjustments on merger	-	43,114,247
Related tax	-	(7,816,536)
Balance at the end of the year	241,527,671	241,527,671

This reserve is created from the excess arising from the revaluation of land and buildings of the company.

20.3 Cash flow hedge reserve

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	(6,333,137)	14,236,742
Gain / (loss) arising from cash flow hedge recognized in OCI	(45,453,148)	(26,649,199)
Related tax - current tax - expense / (reversal) - note 28	101,459,580	(18,101,637)
Related tax - deferred tax - expense / (reversal) - note 28	(88,732,699)	26,101,034
Adjustments on merger	-	(1,920,077)
Balance at the end of the year	(39,059,403)	(6,333,137)

The cash flow hedge reserve is maintained to recognise the change in the fair value of, the derivative (forward exchange contract) designated under the hedge relationship and the hedge item (portion of a foreign currency borrowing). The objective of the hedge is to mitigate the risk arising on the movement in foreign exchange rates and the resulting cash flows.

The hedging instrument are forward exchange contracts and as at 31st March 2019, there were assets with fair value of Rs. 568,529,646 and liabilities with fair value of Rs. 661,931,132.

The portion of the foreign currency loan that is subject to hedge accounting is to be settled during the financial years 2018/19 - 2019/20 and the derivative will be rolled over until that date.

The hedge is considered to be effective and is in effect at the reporting date and therefore no reclassification to profit or loss was made.

20. RESERVES (Contd...)

20.4 Available for Sale Investment Reserve

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	(7,166,375)	(115,484,939)
Transfer to fair value reserve	7,166,375	
Fair value changes during the year - increase / (decrease)	-	128,082,838
Transfers of (gains) / losses to profits on disposal of investments	-	(16,745,534)
Related Tax	-	(3,018,739)
Balance at the end of the year	-	(7,166,375)

As per the requirement of SLFRS 9, previous available-for-sale financial assets are reclassified under fair value through other comprehensive income (FVOCI) and the subsequent fair value changes are recognized under fair value reserve.

20.4.1 Fair Value Reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	-	-
Transfer from avaliable for sale investment reserve	(7,166,375)	-
Investment in government securities measured at FVOCI	(34,822,051)	-
Investment securities measured at FVOCI – equity investments	20,232,000	-
Related Tax	-	-
Balance at the end of the year	(21,756,425)	-

20.5 Retained Earnings

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	7,000,881,585	7,364,836,011
Impact of adopting SLFRS 9	(251,646,932)	-
Balance at the beginning of the year - Adjusted	6,749,234,653	-
Profit for the year	5,962,868,028	2,201,426,289
Remeasurements of defined benefit liability - gain / (loss)	(2,950,150)	(1,878,765)
Transfer to statutory reserve fund	(1,192,573,607)	(440,285,258)
Excess of investment on merger with susbidiary	-	(2,123,216,692)
Balance at the end of the year	11,516,578,925	7,000,881,585

21. INTEREST INCOME

	2019 Rs.	2018 Rs.
Interest on leases	11,833,210,544	4,760,680,135
Interest on loans	22,207,594,243	11,387,494,159
Income from factoring portfolio	1,987,154,976	3,839,176,110
Interest from credit cards	35,371,063	-
Interest on margin trading	43,014,961	34,370,009
Income from operating lease and hire	377,553,766	347,231,202
Interest on overdue rentals and others	3,845,888,698	1,530,394,326
Interest income and capital gain on government securities	1,168,220,109	1,281,546,653
Interest income on term deposits	1,165,309,167	637,290,823
	42,663,317,527	23,818,183,417

22. INTEREST EXPENSE

	2019 Rs.	2018 Rs.
Interest on fixed deposits	12,589,774,985	10,785,836,438
Interest on savings deposits	146,319,000	103,637,952
Profit distributed to Islamic Business Unit deposit holders	1,040,064,747	1,014,111,005
Interest on foreign currency deposits	155,601,431	85,940,416
Interest on re-red refinancing	70,468	2,056,302
Finance lease interest	48,664,611	94,710,085
Interest on loans & bank overdraft	6,911,258,964	1,815,844,563
	20,891,754,206	13,902,136,761

23. NET OTHER OPERATING INCOME

	2019 Rs.	2018 Rs.
Sundry income	460,194,746	179,253,587
Service charges	6,366,999	198,066,846
Arrangement and documentation fees	334,888,827	204,247,912
Collections from contracts written off	806,877,283	196,892,015
Fair value change in investment properties (Note 11)	2,094,584,353	78,239,014
Reclassification from AFS reserve on disposals	-	16,745,534
Change in fair value of derivatives - forward contracts (note 5.3)	106,833,729	(36,451,676)
Net exchange loss	(68,352,960)	52,059,498
Portfolio handling fee	-	295,520,180
Bad debt portfolio handling fee	-	48,430,041
Provision/(Reversal) for payables to clients	37,368,136	(25,200,000)
Adjustment for increase / (decrease) in value of investments (note 9.1 / 9.2.2)	129,135,220	518,658,941
Dividend income	480,000	318,522
Debenture Interest	616,234	-
Interest income from staff loan	96,023,684	84,376,427
Disposal gain / (loss) on investment property	2,166,000	5,462,500
Disposal gain / (loss) on PPE	5,075,139	
	4,012,257,390	1,816,619,341

24. DIRECT EXPENSES EXCLUDING INTEREST COST

	2019	2018
Insurance expenses factored to accommodations	1,116,788,501	606,280,963
VAT on general expenses	405,435,833	438,457,903
Portfolio handling fee	-	-
Others	-	3,194,150
	1,522,224,334	1,047,933,016

25. ALLOWANCE FOR IMPAIRMENT & WRITE OFFS

	2019	2018
Impairment provision / (reversal) for lease rentals receivable (Note 6.2)	94,333,208	6,419,203
Impairment provision / (reversal) for mortgage loan (Note 7.2.2)	(9,703,393)	(66,479,141)
Impairment provision / (reversal) for receivables from sundry loans (Note 7.3.2)	802,055,151	184,491,104
Impairment provision / (reversal) for credit card receivables (Note 7.4)	9,821,962	-
Impairment provision / (reversal) for receivables from Gold loans (Note 7.4.1)	27,872,671	-
Impairment provision / (reversal) for factoring receivables (Note 7.6.1)	365,094,075	(238,222,742)
Impairment provision / (reversal) for other financial assets	2,068,223	(590,802,130)
Impairment provision / (reversal) for insurance receivable	83,661,826	-
Written-off during the year	4,325,301,757	4,413,881,669
	5,700,505,481	3,709,287,962

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

Comparison between provision for impairment as per SLFRS 09 and Central Bank (CBSL) requirement

	Impairment charge to profit or loss	Written-off during the year	Charge to profit or loss net of write-offs	Provision impact as per CBSL
Rentals receivable on leased assets	1,401,528,367	1,307,195,159	94,333,208	564,185,215
Loans and advances	3,201,553,192	2,371,506,800	830,046,391	846,219,517
Factoring receivable	1,011,693,873	646,599,798	365,094,075	26,217,440
Other financial assets	2,068,223	-	2,068,223	-
Insurance receivable	83,661,826	-	83,661,826	83,661,826
	5,700,505,481	4,325,301,757	1,375,203,724	1,520,283,999

26. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following,

		2019	2018
Directors' emoluments		51,277,290	12,256,000
Audit fees and expenses	- Audit Services	2,800,000	2,530,000
	- Audit Related Services	1,050,000	960,000
	- Non Audit Services	Nil	Nil
Depreciation on property, plant and equipment		163,498,091	173,816,520

26.1 Personnel expenses

	2019	2018
- Salaries, wages & other related cost	2,989,197,688	1,309,250,208
- Defined contribution plans - EPF & ETF	157,196,838	55,255,917
- Defined benefit plan cost	19,303,613	5,986,781
	3,165,698,139	1,370,492,906

27. MATURITY OF ASSETS AND LIABLITIES

27.1 An analysis of the total assets of the Company as at the year end based on the remaining period at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.19	Total as at 31.03.18
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	17,535,538,362	-	-	-	-	17,535,538,362	11,323,366,281
Deposits with banks and other financial institutions	9,588,124,264	12,049,051,382	-	-	-	21,637,175,646	26,346,551,552
Investment in government securities	14,949,561,531	3,187,958,398	-	13,476,000		18,150,995,929	10,871,768,339
Derivative assets	431,959,696	136,569,950	-	-	-	568,529,646	133,540,941
Financial assets at amortized cost							
Rentals receivable on leased assets	6,659,220,633	11,720,609,023	21,345,388,994	4,429,769,490	97,262,325	44,252,250,464	44,359,700,495
(-) Allowance for ECL / impairment	-	-	-	-		(1,310,413,793)	(754,576,684)
Hire purchases, loans and advances	17,028,995,884	24,275,750,980	40,781,820,339	9,900,198,002	390,106,578	92,376,871,783	99,872,484,289
(-) Allowance for ECL / impairment	-	-	-	-		(3,381,029,983)	(2,799,819,013)
Factoring receivable	5,461,768,390	-	-	-	-	5,461,768,390	11,397,986,284
(-) Allowance for ECL / impairment	-	-	-	-	-	(1,208,100,488)	(759,231,341)
Investments securities	2,094,251,868	308,767,718	-	-	406,209,557	2,809,229,143	1,965,298,691
Amount due from related companies	5,569,291	-	-	-	-	5,569,291	32,909,393
Other receivables	354,690,257	168,097,235	21,134,827	117,342,058	276,676,863	937,941,239	1,122,496,378
Inventories	-	4,811,234	-	-	-	4,811,234	9,077,910
Investment properties	-	-	11,635,210,995	-	-	11,635,210,995	6,278,187,226
Property plant and equipment	-	-	-	-	1,559,024,937	1,559,024,937	1,714,491,470
Total Assets as at 31st March 2019	**74,109,680,176**	**51,851,615,919**	**73,783,555,154**	**14,460,785,550**	**2,729,280,259**	**211,035,372,795**	
Total Assets as at 31st March 2018	**66,340,996,274**	**57,693,268,097**	**64,883,109,472**	**23,424,151,587**	**3,086,333,819**	**211,114,232,211**	**211,114,232,211**

27.2 An analysis of the total liabilities of the Company as at the year end based on the remaining period at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.19	Total as at 31.03.18
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank overdraft	2,242,496,059	-	-	-	-	2,242,496,059	4,243,169,825
Interest bearing borrowings	43,786,869,903	14,339,907,871	320,890,374	2,639,228,924	-	61,086,897,072	70,490,432,360
Deposits from customers	32,703,060,656	59,276,125,039	16,911,082,221	6,474,873,273	-	115,365,141,189	110,027,420,099
Trade payables	1,161,094,413	-	-	-	-	1,161,094,413	1,593,495,580
Accruals and other payables	2,085,042,696	374,117,669	550,235,394	63,057,777	-	3,072,453,537	2,388,375,887
Derivative liabilities	223,528,750	438,402,382	-	-	-	661,931,132	482,464,342
Amount due to related companies	817,644,096	-	-	-	-	817,644,096	1,496,999,551
Current tax payable	-	1,501,292,610	-	-	-	1,501,292,610	813,718,266
Deferred tax liability	-	-	2,272,773,316	-	-	2,272,773,316	2,402,219,247
Employee benefits	-	-	-	87,060,988	-	87,060,988	70,303,298
Stated capital	-	-	-	-	7,880,000,000	7,880,000,000	7,880,000,000
Statutory reserve	-	-	-	-	3,189,297,618	3,189,297,618	1,996,724,011
Revaluation Reserve	-	-	-	-	241,527,671	241,527,671	241,527,671
Cash flow hedge reserve	-	-	-	-	(39,059,404)	(39,059,404)	(6,333,137)
Available for sale investment reserve	-	-	-	-	-	-	(7,166,375)
Fair value reserve	-	-	-	-	(21,756,426)	(21,756,426)	-
Retained earnings	-	-	-	-	11,516,578,925	11,516,578,925	7,000,881,585
Total Liabilities & Equity as at 31st March 2019	**83,019,736,574**	**75,929,845,572**	**20,054,981,305**	**9,264,220,962**	**22,766,588,383**	**211,035,372,795**	
Total Liabilities & Equity as at 31st March 2018	**96,432,610,938**	**63,115,325,248**	**22,983,077,810**	**11,413,150,629**	**17,170,067,586**	**211,114,232,211**	**211,114,232,211**

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

28. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows:	2019 Rs.	2018 Rs.
Current tax - recognized in P&L		
Current tax charge	1,224,609,252	124,029,652
Under / (over) provision of current taxes in respect of prior years	-	(81,779,566)
	1,224,609,252	42,250,087
Deferred Tax		
Deferred tax expense / (reversal) (28.2)	(79,664,939)	(158,936,233)
Income tax expense reported in statement of profit or loss	**1,144,944,313**	**(116,686,146)**
Current tax - expense / (reversal) - recognized in OCI		
Relating to exchange gain recognized in OCI (in hedge reserve)	(101,459,580)	18,101,637
Deferred tax charge / (reversal) recognized in OCI		
Available for sale financial assets	-	3,018,739
Property plant and equipment	-	-
Defined benefit plans	(1,147,281)	(730,631)
Fair value change in derivatives recognized in hedge reserve	88,732,699	(25,563,412)
Investment in LOLC Asia Pvt Ltd	2,248,000	-
	89,833,418	(23,275,304)
Total income tax expense / (reversal) recognized in OCI	**(11,626,162)**	**(5,173,668)**

28.1 Current tax payable

Tax payable as at 1st April	813,718,266	268,931,782	268,931,782
Current tax expense for the year - recognized in P&L	1,224,609,252	42,250,087	144,905,119
Current tax expense for the year - recognized in OCI	(101,459,580)	18,101,637	18,101,637
Balance on acquisition of subsidiary	-	-	1,006,165,724
Addition on merger with subsidiary	-	816,489,534	-
Tax paid during the year	(435,575,329)	(332,054,773)	(624,385,995)
Tax payable as at 31st March	**1,501,292,610**	**813,718,266**	**813,718,266**

A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	2019		2018	
	%	**Rs.**	**%**	**Rs.**
Accounting profit before income tax		7,107,812,341		2,084,740,142
Tax effect at the statutory income tax rate of 28%	28%	1,990,187,455	28%	583,727,240
Tax effect of other allowable credits	-105%	(7,486,185,586)	-5%	(107,491,037)
Tax effect of non deductible expenses	93%	6,619,147,802	11%	224,247,956
Deferred tax adjustment	0%	21,794,642	0%	-
Tax benefit on acquisition of subsidiary	0%	-	-35%	(735,390,739)
Under / (over) provision in the previous years	0%	-	-4%	(81,779,566)
Income tax expense	**16%**	**1,144,944,313**	**-6%**	**(116,686,146)**

28. INCOME TAX EXPENSE (Contd…)

28.2 Deferred Taxation

	2019 Rs.	2018 Rs.
Balance as at 1st April	2,402,219,247	1,102,057,559
Impact on adoption of SLFRS 9	(139,614,410)	-
Deferred tax expense / (reversal) - recognized in P&L	(79,664,939)	(158,936,233)
Deferred tax expense / (reversal) - recognized in OCI	89,833,418	(23,275,304)
Deferred tax liability / (asset) on acquisition of subsidiary	-	-
Deferred tax liability / (asset) on merger with subsidiary	-	1,482,373,226
Balance as at 31st March	**2,272,773,316**	**2,402,219,247**

Recognized deferred tax assets and liabilities are attributable to the following.

Deferred tax is measured using a tax rate of 28% (2017/18 -28%) on temporary differences

Deferred tax expense / (reversal) - Company

Deferred tax liability / (asset)	Balance as 1st April 2018 Rs.	Impact on adoption of SLFRS 9 Rs.	Recognized in P&L - expense / (reversal) Rs.	Recognized in OCI - expense / (reversal) Rs.	Balance as 31st March 2019 Rs.
Recognized in P&L / Equity (retained earnings)					
Lease receivables	3,183,173,949	(156,314,921)	(525,409,739)	-	2,501,449,289
Finance lease liability	160,396,942	-	54,826,517	-	215,223,460
Property plant and equipment	7,338,748	-	(3,393,410)	-	3,945,338
Tax losses	(201,511,124)	-	201,511,124	-	-
Cost of acquisition of subsidiary (note 28.2.b)	(651,390,739)	-	5,579,677	-	(645,811,061)
Defined benefit plans	(16,522,896)	-	(4,692,153)	-	(21,215,050)
Forward exchange contracts (net)	(7,165,481)	-	(17,186,618)	-	(24,352,099)
Investment property	-	-	209,458,435	-	209,458,435
Investment in LOLC Mynmar	-	16,700,511	(358,773)	-	16,341,738
Recognized in OCI					
Available for sale financial assets	3,018,739	-	-	-	3,018,739
Property plant and equipment	18,576,152	-	-	-	18,576,152
Defined benefit plans	(3,162,027)	-	-	(1,147,281)	(4,309,308)
Forward exchange contracts (net)	(90,533,016)	-	-	88,732,699	(1,800,317)
Investment in LOLC Asia Pvt Ltd	-	-	-	2,248,000	2,248,000
Net deferred tax liability / (asset)	**2,402,219,247**	**(139,614,410)**	**(79,664,939)**	**89,833,418**	**2,272,773,316**

Deferred tax expense / (reversal) - Company

Deferred tax liability / (asset)	Balance as 1st April 2017 Rs.	Recognized in P&L - expense / (reversal) Rs.	Recognized in OCI - expense / (reversal) Rs.	Addition on merger with subsidiary Rs.	Balance as 31st March 2018 Rs.
Recognized in P&L					
Lease receivables	1,118,395,601	527,901,295	-	1,536,877,054	3,183,173,949
Finance lease liability	(26,579,307)	186,976,250	-	-	160,396,942
Property plant and equipment	2,885,288	(9,570,227)	-	14,023,686	7,338,748
Tax losses	-	(201,511,124)	-	-	(201,511,124)
Cost of acquisition of subsidiary (note 28.2.b)	-	(651,390,739)	-	-	(651,390,739)
Defined benefit plans	(3,520,372)	(1,135,274)	-	(11,867,250)	(16,522,896)
Forward exchange contracts (net)	3,040,933	(10,206,414)	-	-	(7,165,481)
Recognized in OCI					
Available for sale financial assets	-	-	3,018,739	-	3,018,739
Property plant and equipment	10,759,616	-	-	7,816,536	18,576,152
Defined benefit plans	(1,244,704)	-	(730,631)	(1,186,692)	(3,162,027)
Forward exchange contracts (net)	(1,679,496)	-	(25,563,412)	(63,290,108)	(90,533,016)
Net deferred tax liability / (asset)	**1,102,057,559**	**(158,936,233)**	**(23,275,304)**	**1,482,373,226**	**2,402,219,247**

28. INCOME TAX EXPENSE (Contd…)

Deferred tax expense / (reversal) - Group

Deferred tax liability / (asset)	Balance as 1st April 2017 Rs.	Addition on acquisition of subsidiary Rs.	Recognized in P&L - expense / (reversal) Rs.	Recognized in OCI - expense / (reversal) Rs.	Balance as 31st March 2018 Rs.
Recognized in P&L					
Lease receivables	1,118,395,601	1,716,103,451	348,674,897	-	3,183,173,949
Finance lease liability	(26,579,307)	-	186,976,250	-	160,396,942
Property plant and equipment	2,885,288	11,860,690	(7,407,230)	-	7,338,748
Tax losses	-	(65,459,730)	(136,051,393)	-	(201,511,124)
Cost of acquisition of subsidiary (note 28.2.b)	-	-	(651,390,739)	-	(651,390,739)
Defined benefit plans	(3,520,372)	(10,288,932)	(2,713,593)	-	(16,522,896)
Forward exchange contracts (net)	3,040,933	-	(10,206,414)	-	(7,165,481)
Recognized in OCI					
Available for sale financial assets	-	-	-	3,018,739	3,018,739
Property plant and equipment	10,759,616	-	-	7,816,536	18,576,152
Defined benefit plans	(1,244,704)	(1,186,692)	-	(730,631)	(3,162,027)
Forward exchange contracts (net)	(1,679,496)	(62,752,486)	-	(26,101,034)	(90,533,016)
Net deferred tax liability / (asset)	**1,102,057,559**	**1,588,276,300**	**(272,118,222)**	**(15,996,390)**	**2,402,219,247**

28.2.a Temporary differences

Temporary differences - taxable / (deductible)	As at 31st March 2019 Rs.	As at 31st March 2018 Rs.
Recognized in P&L / Equity (retained earnings)		
Lease receivables	8,933,747,461	11,368,478,390
Finance lease liability	768,655,213	572,846,223
Property plant and equipment	14,090,491	26,209,813
Tax losses	-	(719,682,585)
Cost of acquisition of subsidiary	(2,306,468,076)	(2,326,395,495)
Defined benefit plans	(75,768,034)	(59,010,344)
Forward exchange contracts (net)	(86,971,782)	(25,591,005)
Investment property	2,094,584,353	-
Investment in LOLC Mynmar	163,417,381	-
Recognized in OCI		
Available for sale financial assets	10,781,210	10,781,210
Property plant and equipment	66,343,400	66,343,400
Defined benefit plans	(15,390,385)	(11,292,954)
Forward exchange contracts (net)	(6,429,704)	(323,332,199)
Investment in LOLC Asia Pvt Ltd	22,480,000	-
Net taxable / (deductible) temporary difference	**9,583,071,529**	**8,579,354,453**

28.2.b Cost of acquisition of subsidiary and unrecognized deferred tax assets

During the year 207/18, the company paid Rs.12,291,200,000 to acquire 100% of LOLC Micro Credit Limited.
Since this was inline with the Central Bank of Sri Lanka's consolidation program, the Company is able to claim the purchase consideration as a qualifying payment in calculating the income tax liability.

During the year Rs.2,005,624,414 was claimed keeping inline with the requirements of the Inland Revenue Act. The Company expects to claim the remaining amount over the future period based on the profitability of the Company.

On a prudent basis the management has decided to evaluate the recoverability of this claim based on the projected taxable profits for the next year and expects to recover Rs.2,306,468,076 over such period and a deferred tax asset of Rs.645,811,061 was recognized during the year.
The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

Unrecognized deferred tax asset	2019 Rs.	2018 Rs.
Remaining amount to be claimed as at 1st of April	11,991,200,000	-
Consideration paid to acquire subsidiary	-	12,291,200,000
Previous year adjustment	(614,373,871)	
Amount claimed during the year	(2,005,624,414)	(300,000,000)
Remaining amount to be claimed in future years	9,371,201,715	11,991,200,000
Tax rate	28%	28%
Deferred tax asset on remaining amount	2,623,936,480	3,357,536,000
Recognized deferred tax asset	(645,811,061)	(651,390,739)
Unrecognized deferred tax asset	**1,978,125,419**	**2,706,145,261**

29. EARNINGS PER SHARE

29.1 Basic earnings per share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the Basic Earnings Per Share computation.

	2019 Rs.	2018 Rs.
Amounts used as the numerator:		
Profit attributable to ordinary shareholders for basic earnings per share	5,962,868,028	2,201,426,288

	2019 No.	2018 No.
Number of ordinary shares used as the denominator:		
Ordinary shares in issue at the beginning of the year	4,200,000,000	2,800,000,000
Effects of new shares issued during the period	-	61,369,863
Weighted average number of ordinary shares in issue applicable to basic earnings per share	4,200,000,000	2,861,369,863
Basic earnings per share (Rs.)	**1.42**	**0.77**

29.2 Diluted earnings per share

There were no potential dilution at the year end. Therefore, diluted earnings/ (loss) per share is the same as basic earnings/ (loss) per share shown above.

30. COMPARATIVE FIGURES

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

Statement of Financial Position	**Note**	**As disclosed in 2018**	**Adjustment**	**Reclassified**
Loans and advances	A	96,897,095,158	175,570,117	97,072,665,275
Margin Trading	A	175,570,117	(175,570,117)	-
Statement of Profit or Loss and Other Comprehensive Income				
Interest Income				
Interest Income and capital gain on government securities	B	1,281,546,653	(1,281,546,653)	-
Interest Income on term deposits	B	637,290,823	(637,290,823)	-

A. Margin Trading which were previously reported as a separate line item in Statement of Financial Position have been transferred to Loans and advances.

B. Interest income which were previously reported under net other operating income have been tranfred to Interest Income

31. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	**Nature of Liability**	**Carrying Amount Pledged Rs.**	**Carrying Amount Pledged Rs.**
Lease portfolio	Short term borrowing	25,015,466,845	2,906,340,000

These financial assets are pledged against the borrowings made. The lender has the right over the lease receivables in the event of non payment.

32. RELATED PARTY DISCLOSURES

32.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is Lanka ORIX Leasing Company PLC.

32.2 Transactions with Key Management Personnel (KMPs)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly the KMP include members of the Board of Directors and identified senior management personnel of the Company and its ultimate Parent Company Lanka ORIX Leasing Co. PLC . Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company.

32.2.1 Compensation of KMPs

	2019 Rs.	2018 Rs.
Short term employment benefits	97,497,301	40,085,345
Total	97,497,301	40,085,345

The short term employement benefits include only the directors fees and emoluments paid to Directors & KMPs.

32.2.2 Transactions, arrangements and agreements involving KMPs, and their close family members (CFMs)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMPs domestic partner and children, children of the KMPs domestic partner and dependents of the KMP or the KMPs domestic partner. The transactions are carried out on an arms length basis. The details of the transactions are as follows :

	2019 Rs.	2018 Rs.
Deposits held with the Company	831,639,658	1,222,574,976
Interest paid / charged	92,492,763	112,847,259
Interest payable	43,589,874	41,053,696
Loans granted (excluding Directors)	42,349,079	22,344,501
Capital outstanding on facilities granted to KMPs (excluding Directors)	58,033,025	52,267,222
Accommodation outstanding as a percentage of the Company's Capital Funds	0.23%	0.28%

No impairment losses have been recorded against balances outstanding with KMP and CFM.

32.3 Transactions with related parties

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, on an arms length basis. Details of related party transactions are reported below. (For information regarding outstanding balances (receivables / payables) at 31 March 2019 and 2018, refer notes no.10 and 17 accordingly).

32. RELATED PARTY DISCLOSURES (Contd...)

Relationship	Nature of Transactions	Transaction value 2019 Rs.	Transaction value 2018 Rs.
Parent Company	Net funds granted by the Parent during the year (excluding opening balance)	380,502,399	581,452,693
	Reimbursement of expenses	2,232,590,298	2,250,728,657
	Asset hire charges	201,216,322	127,501,244
	Interest on re-red refinancing	70,468	2,056,302
	Treasury management fee	546,517,294	160,508,868
	Royalty	644,617,458	337,312,420
	Fund transfer interest	40,356,041	33,099,000
	Consideration paid to acquire subsidiary	-	9,832,960,000
Subsidiary	Portfolio handling fee	-	295,520,180
	Bad debt portfolio handling fee	-	48,430,041
Fellow Subsidiaries & Associates	Deposits & other borrowings by the company	149,723,735	298,583,518
	Interest paid/charge	28,645,652	47,468,251
	Interest payable	5,912,087	7,986,501
	Investments held by the company	984,612,151	2,033,340,685
	Interest income from investment	164,669,680	102,416,781
	IT service fee	183,717,087	153,648,684
	Franchise Fee	-	150,867,289
	Yard fee	22,200,000	7,800,000
	Supply of leased vehicles	1,624,913,418	471,514,753
	Loan/ lease granted	974,681,193	569,506,183
	Rental collections	387,457,540	401,701,670
	Interest income	329,594,777	287,860,407
	Capital outstanding on facilities granted	2,278,590,180	1,552,192,413
	Rent Income	71,688,693	-
	Franchise Fee	288,349,644	-
Other Related Companies/Affiliates	Supply of leased vehicles	134,121,450	474,764,753
	Interest paid/charge	253,902,325	253,902,325
	Rental collections	10,227,832	70,356,316
	Interest income	10,198,946	11,330,881
	Capital outstanding on facilities granted	46,344,129	46,393,734
			-
Other Related Organizations	Deposits held with the company	294,892,074	257,929,563
	Interest paid/charge	37,897,296	33,942,379
	Interest payable	26,679,464	21,906,724
Accommodation outstanding as a percentage of the Company's Capital Funds		9.35%	13.64%

All of the above transactions (including borrowing / lending / investing transactions) with related parties are on arm's length basis and are on terms that are generic to non-related parties.

33. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustment to or disclosure in these Financial Statements other than those disclosed in note 33.1.

33.1 Rights Issue

In July 2019, the Company is planning to raise capital by a way of rights issue, the details are as follow

The number of shares to be issued	:	Voting :1,050,000,000
The proportion in which the shares are to be used	:	Voting :One (01) new Ordinary Share for every Four (04) Ordinary Shares
The consideration for which the shares are to be issued (Rs.)	:	Voting :4.65

34. OPERATING SEGMENTS

	Operating Segment				
	Conventional Financial Services	Islamic Financial Services	Factoring Business	Others/ Adjustments	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
For the year ended 31st March 2019					
Total revenue - Interest income & other income	40,070,283,299	2,573,402,618	4,031,889,000	-	46,675,574,917
External revenue	40,070,283,299	2,573,402,618	4,031,889,000	-	46,675,574,917
Net interest cost	(17,436,688,996)	(1,271,782,960)	(2,183,282,250)	-	(20,891,754,206)
Profit before operating expenses	**22,633,594,303**	**1,301,619,658**	**1,848,606,750**	**-**	**25,783,820,711**
Operating expenses	(11,061,314,687)	(524,533,773)	-	-	(11,585,848,460)
Allowance for impairment & write-offs	(3,295,007,333)	(161,112,999)	(2,244,385,149)	-	(5,700,505,481)
Value added tax on financial services	(1,309,934,380)	(79,720,049)	-	-	(1,389,654,429)
Results from operating activities	**6,967,337,903**	**536,252,838**	**(395,778,399)**	**-**	**7,107,812,341**
For the year ended 31st March 2018					
Total revenue - Interest income & other income	22,039,998,968	2,573,402,618	4,031,889,000	-	28,645,290,586
External revenue	22,039,998,968	2,573,402,618	4,031,889,000	-	28,645,290,586
Net interest cost	(11,561,536,426)	(1,271,782,960)	(2,183,282,250)	-	(15,016,601,637)
Profit before operating expenses	**10,478,462,542**	**1,301,619,658**	**1,848,606,750**	**-**	**13,628,688,949**
Operating expenses	(6,110,658,594)	(524,533,773)	-	-	(6,635,192,367)
Allowance for impairment & write-offs	(2,043,553,514)	(161,112,999)	(2,244,385,149)	-	(4,449,051,661)
Value added tax on financial services	(400,763,834)	(79,720,049)	-	-	(480,483,883)
Results from operating activities	**1,923,486,601**	**536,252,837**	**(395,778,399)**	**-**	**2,063,961,038**
Depreciation					
For the year ended 31st March 2019	163,498,091	-	-	-	163,498,091
For the year ended 31st March 2018	173,284,039	-	-	-	173,284,039
Capital expenditure - Property Plant and equipment					
For the year ended 31st March 2019	122,904,918	-	-	-	122,904,918
For the year ended 31st March 2018	122,904,918	-	-	-	122,904,918
As at 31-03-2019					
Total assets	194,870,557,900	12,318,352,916	4,066,179,586	(219,717,607)	211,035,372,795
Total liabilities	174,486,456,494	9,935,865,939	4,066,179,586	(219,717,607)	188,268,784,412
As at 31-03-2018					
Total assets	185,843,967,968	14,631,611,839	10,638,754,943	(102,538)	211,114,232,211
Total liabilities	170,762,196,555	12,607,749,496	10,638,754,943	(102,538)	194,008,598,456

35. COMMITMENTS AND CONTINGENCIES

	2019	2018
	Rs.	Rs.
35.1 Contingent liabilities		
Guarantees issued to banks and other institutions - backed by deposits	269,837,501	767,098,046
35.2 Commitments		
Forward exchange contracts- (commitment to purchase)	20,912,968,668	27,034,126,553
Unutilised loan facilities	11,076,768,535	10,992,926,927
Allowance for ECL / impairment	(3,604,443)	-
	32,255,970,261	38,794,151,526

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

On the commitment to purchase the foreign currencies the company will receive USD 74,844,247, EUR 36,350,000, GBP 2,050,000, AUD 1,700,000.

36. TRANSITION DISCLOSURES

The following notes set out the impact of adopting Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) at transition date, 01st April 2018 on Statement of Financial Postion. This explains the impact on adoption of expected credit loss (ECL) calculations under SLFRS 9 compared to the calculations under Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments - recognition and measurement).

Reclassification :
These reflect the movement of balances between the categories on the Statement of Financial Position. No any impact to the shareholders' equity and no differences in carring values due to the reclassification.

Re-measurement :
These adjustments reflect the changes in carring values on the statement of Financial Position due to the impact of expected credit loss (ECL). These are recognized to the shareholders' equity net of tax

As at 01st April 2018

		LKAS 39		Reclassification	Re-measurement		SLFRS 09	
Financial Assets	**Note**	**Category**	**Amount**		**ECL**	**Other**	**Category**	**Amount**
Cash and cash equivalents		Loans and receivables	11,323,366,281	-	-	-	11,323,366,281	Amortised cost
Deposits with banks		Loans and receivables	26,346,551,552	-	-	-	26,346,551,552	Amortised cost
Investment in government securities			-	-	-	-	-	
- Measured at fair value		Available for sale	4,381,048,794	-	-	-	4,381,048,794	Fair value through OCI
- Measured at amortized cost		Loans and receivables	6,490,719,545	-	-	-	6,490,719,545	Amortised cost
Derivative assets		Fair value through PL	133,540,941	-	-	-	133,540,941	Fair value through PL
Investment securities							-	
- To: Financial Assets - Measured at fair value	A		-	1,811,648,691	-	167,005,111	1,978,653,802	Fair value through PL
- To: Financial Assets - Available for sale	A		-	153,650,000	-	-	153,650,000	Fair value through OCI
- From: Financial Assets - Held for Trading			1,744,986,516	(1,744,986,516)	-	-	-	
- From: Financial Assets - Available for sale			66,662,175	(66,662,175)	-	-	-	
- From: Financial Assets - Available for sale			153,650,000	(153,650,000)	-	-	-	
Rentals receivable on leased assets	B	Loans and receivables	43,605,123,812	-	(472,696,467)	-	43,132,427,345	Amortised cost
Loans and advances	B	Loans and receivables	97,072,665,275	-	61,209,957	-	97,133,875,233	Amortised cost
Factoring receivable	B	Loans and receivables	10,638,754,943	-	(144,922,108)	-	10,493,832,835	Amortised cost
Amount due from related companies		Loans and receivables	32,909,393	-	-	-	32,909,393	Amortised cost
Other financial assets		Loans and receivables	306,530,611	-	-	-	306,530,611	Amortised cost
			202,296,509,837	**-**	**(556,408,617)**	**167,005,111**	**201,907,106,331**	
Non-financial Assets								
Inventories		N/A	9,077,910	-	-	-	9,077,910	N/A
Investment properties		N/A	6,278,187,226	-	-	-	6,278,187,226	N/A
Property plant and equipment		N/A	1,714,491,470	-	-	-	1,714,491,470	N/A
Other non-financial assets		N/A	815,965,768	-	-	-	815,965,768	N/A
			8,817,722,374	**-**	**-**	**-**	**8,817,722,374**	
Total assets			**211,114,232,211**	**-**	**(556,408,617)**	**167,005,111**	**210,724,828,705**	
Financial Liabilities								
Bank overdraft		Amortised cost	4,243,169,825	-	-	-	4,243,169,825	Amortised cost
Interest bearing borrowings		Amortised cost	70,490,432,360	-	-	-	70,490,432,360	Amortised cost
Deposits from customers		Amortised cost	110,027,420,099	-	-	-	110,027,420,099	Amortised cost
Trade payables		Amortised cost	1,593,495,580	-	-	-	1,593,495,580	Amortised cost
Accruals and other payables	C	Amortised cost	2,206,129,231	-	1,857,836	-	2,207,987,067	Amortised cost
Derivative liabilities		Fair value through PL	482,464,342	-	-	-	482,464,342	Fair value through PL
Amount due to related companies		Amortised cost	1,496,999,551	-	-	-	1,496,999,551	Amortised cost
			190,540,110,988	**-**	**1,857,836**	**-**	**190,541,968,824**	
Non-financial assets liabilities								
Current tax payable		N/A	813,718,267	-	-	-	813,718,267	N/A
Deferred tax liability	D	N/A	2,402,219,247	-	(156,314,921)	16,700,511	2,262,604,837	N/A
Defined benefit obligations		N/A	70,303,298	-	-	-	70,303,298	N/A
Other non-financial liabilities		N/A	182,246,656	-	-	-	182,246,656	N/A
			3,468,487,468	**-**	**(156,314,921)**	**16,700,511**	**3,328,873,058**	
Total liabilities			**194,008,598,456**	**-**	**(154,457,085)**	**16,700,511**	**193,870,841,882**	

36. TRANSITION DISCLOSURES (Contd...)

Description	Note	LKAS 39 Category	LKAS 39 Amount	Reclassification	Re-measurement ECL	Re-measurement Other	SLFRS 09 Amount	SLFRS 09 Category
Equity								
Stated capital		N/A	7,880,000,000	-	-	-	7,880,000,000	N/A
Statutory reserve		N/A	1,996,724,011	-	-	-	1,996,724,011	N/A
Revaluation reserve		N/A	241,527,671	-	-	-	241,527,671	N/A
Cash flow hedge reserve		N/A	(6,333,137)	-	-	-	(6,333,137)	N/A
Available for sale reserve		N/A	(7,166,375)	7,166,375	-	-	-	N/A
Fair Value Reserve		N/A	-	(7,166,375)	-	-	(7,166,375)	N/A
Retained earnings	E	N/A	7,000,881,585	-	(401,951,532)	150,304,600	6,749,234,653	N/A
Total equity			**17,105,633,755**	**-**	**(401,951,532)**	**150,304,600**	**16,853,986,823**	
Total liabilities and equity			**211,114,232,211**	**-**	**(556,408,617)**	**167,005,111**	**210,724,828,705**	

A. As at 1 April 2018, the Company elected to classify its previous held for trading and available for sale portfolios as debt & other instruments measured at fair value through profit or loss and fair value through other comprehensive income since these assets met the "Solely Payments of Principal and Interest" (SPPI) criterion.

B. As at 1st April 2018, Financial assets previously classified as loans and receivables have been reclassifies at amortized cost. These assets fulfill the Solely Payments of Principle and Interest (SPPI) criterion. They were not actively traded and held with the intention to collect cash and not for sale.

C. The carrying value of other financial liabilities changed under SLFRS 09 due to recognition of ECL provisions for undrawn loan commitments.

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

E. The Impact on Retained Earnings by Transition to SLFRS 9 is as follows,

Closing balance under LKAS 39 as at 31st March 2018	7,000,881,585
Re-measurement adjustments on adoption of SLFRS 9	-
Recognition of SLFRS 9 ECLs for loans and advances	(558,266,453)
Impact of reclassifying financial investment from AFS to FVTPL	167,005,111
Deferred tax on transitional adjustments	139,614,410
Total change in equity due to adoption of SLFRS 9	(251,646,932)
Adjusted Opening balance under SLFRS 9 as at 1st April 2018	6,749,234,653

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

	Note	Allowance for impairment under LKAS 39 as at 31st March 2018	Re-measurement	ECL Impairment under SLFRS 9 as at 1st April 2018
Financial assets at amortised cost				
Rentals receivable on leased assets	6	754,576,684	472,696,467	1,227,273,151
Loans and advances	7	2,799,819,013	(61,209,957)	2,738,609,056
Factoring receivable	7.5	759,231,341	144,922,108	904,153,449
Credit related commitments & contingencies		-	1,857,836	1,857,836
		4,313,627,038	558,266,453	4,871,893,491