STAYING STRONG

Vallibel Finance PLC | Annual Report 2018/19

Vision

To change the financial landscape of our country; bringing more people in more areas to become stakeholders of a national reawakening. We are driven by relentless passion to seek out people who need help.

Mission

Our work ethics involve working tirelessly to formulate and offer a financial product spread that understands the pulse of the people. Our search is for excellence in all we do including accountability in financial stewardship and in our responsibility towards customers,stakeholders and our country.

Read this report online

www.vallibelfinance.com

STAYING STRONG

At Vallibel Finance, for over a decade we have delivered excellence through our people and processes to the many stakeholders we serve. And over those years, we have emphasized a spirit of care, innovation, industry expertise and sustainability as key drivers in our story of success.

While the year has been a challenging one, we have kept our pace, moving forward against all odds. We are confident in our ability to sustain well into the future – for our strong fundamentals keep us dynamic and vibrant, creating a limitless cycle of value creation that encircles the thousands of lives we impact. Built on a solid foundation and a powerful vision, our promise remains; to stay strong and resilient, as we generate value that's both equitable and enduring, both now and in the years to come.

About US

Incorporated as Rupee Finance in the year 1974, the Company became Vallibel Finance immediately after the acquisition by the prestigious Vallibel Group in 2005. This was a new era which opened new opportunities for growth and prosperity, propelling Vallibel Finance to travel a path leading to excelling in everything we undertake to do. The Company has been challenged and equalled; yet we continue to grow, staying strong to our vision and true to our values. We have developed systems and processes which provide strength and flexible, enabling us to push through the most challenging of times to meet the future head-on.

Vallibel Finance boasts innovative and wide-ranging financial solutions to cater to the diverse needs of the different members of society across Sri Lanka. With 32 branches and 8 Service Centres located in the Western, Central, Sabaragamuwa, Southern, North Western, Uva and North Central provinces of Sri Lanka, the Company's dedicated and loyal team of 923 people are trained and developed to serve our customers at the highest service levels, while ensuring product quality and the ultimate in professionalism.

Over the years, we have served customers ranging from entrepreneurs to large corporates, and small businesses to enterprising households, while ensuring a successful and satisfactory service delivery. Today, having passed a

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dozen years of successful business operations, we are further exploring ways to assist the financial needs of niche market segments by offering pioneering new products and advanced services.

Having received recognition from both local and international organisations re-iterates the brand image that Vallibel Finance has built in these past 12 years – of being a leading and innovative company, pursuing success while creating value to all our stakeholders in an ethical and transparent manner. This trend also continued in the year under review, with Vallibel Finance being recognised for our efforts by the International Chamber of Commerce Sri Lanka who listed the Company among the top 20 most admired companies in Sri Lanka, while the Global Finance and Banking Review, a United Kingdom based magazine, awarded Vallibel Finance the title of the 'Fastest Growing Auto Finance Company in Sri Lanka' for the second consecutive year and recognised Vallibel Finance as the 'Best Leasing Customer Service Company in Sri Lanka in their 2018 rankings. A first for the Company was the recognition received by Great Place to Work® Sri Lanka in April 2019 which holds strong view that employees are the foundation of business growth and success.

Vallibel Finance sees a future committed to further diversification of our innovative product portfolio and continued expansion of our branch network to effectively, efficiently and conveniently serve the Sri Lankan public. The growth of the Company's lending portfolio, the increasing year-on-year deposit base, together with the strong assets base of Rs. 47.66 Bn with a focus on creating value to all stakeholders and key capitals of the Company are testament that we have stayed strong during challenging times and build strong foundation to pursue future growth amidst the dynamically changing and unpredictable business operating environment.

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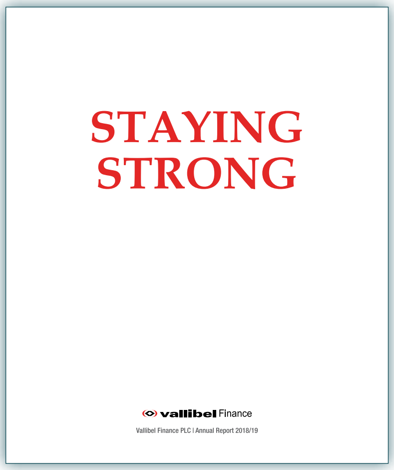
About OUR INTEGRATED REPORT


STAYING STRONG

vallibel Finance

Vallibel Finance PLC I Annual Report 2018/19

Reporting Principles

This Annual Report is prepared in accordance with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). In addition, wherein possible, the GRI Standards disclosures, published by the Global Reporting Initiative for Sustainability Reporting, have been used as a guidance to enhance the information and qualitative data presented in this Annual Report.

This is the first attempt by Vallibel Finance PLC to prepare our Annual Report 2018/19 using both the Integrated Reporting guidelines and the GRI Standard for sustainability reporting guidelines. As we mature in our reporting in the coming years, the Company plans to further enhance information disclosures to become compliant with the GRI Standard: Core option. Both these standards of reporting have been voluntarily adopted by the Company in our endeavour to continue to enhance our governance and transparency of reporting while increasing the focus on sustainability and value creating information disclosed for the benefit of our stakeholders and other interested parties.

In addition, as required by statute, the Financial Statements included in this Annual Report have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). This Annual Report also complies with the Companies Act No.07 of 2007, Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange (CSE) and Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka.

This Annual Report aims to report information in alignment with the guiding principles as set out by the Integrated Reporting Framework by the IIRC.

Principles	As Applied by Vallibel Finance
Strategic Focus and Future Orientation	By disclosing goals and other key information, which is important for the Company's future success, we have strived to report information keeping our strategic focus at the forefront. Further, the future prospects and direction of the Company is included in the Acting Chairman's Message, Managing Director's Message and in the Management Discussion and Analysis.
Connectivity of Information	Where relevant and possible, information connectivity has been indicated in this Annual Report.
Stakeholder Relationships	The Company has disclosed the engagement mechanisms of how we engage with our stakeholders and build long-term relationships, as well as concerns which arose and how these become a part of the Company's strategic focus areas by applying the principles of materiality.
Materiality	The Company has disclosed how materiality of key topics is identified and prioritised.
Conciseness	The Company has endeavoured to report key aspects and developments during the year in a clear and succinct manner thereby making this Annual Report an easy read for all stakeholders.
Reliability and Completeness	To the best of our knowledge all the information given in this annual report is complete and reliable. As a measure of assurance, the Financial Statements are reviewed and audited by KPMG, Chartered Accountants, while all external information is sourced from credible sources.
Consistency and Comparability	The Company has attempted to be consistent in our reporting throughout this Annual Report and where possible comparable information has been clearly stated and indicated.

Scope and Boundary

This Annual report covers the aspects and topics deemed material by Vallibel Finance PLC and gives an overview of the Company's local market operations. The Information given for the capital reports which includes the financial, social and environmental performance of the Company is predominantly limited to current year information, while quantitative data (where available) is provided for the past five years. As such the Annual Report is predominantly a review of business operations, events and progress for the financial year ended 31st March 2019, as well as planned future developments of the Company as at 31st March 2019.

Reporting Changes

There have been no reporting changes or re-statement of information pertaining to the financial year 2017/18 included in this Annual Report other than the adoption of Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" which became effective from 01st April 2018.

For feedback and inquiries regarding this Annual Report and any information contained herein, please contact the below mentioned.

Chief Financial Officer
Vallibel Finance PLC
No. 310, Galle Road,
Colombo 03.
Tel: 011-4393100
Fax: 011-2713375

Our JOURNEY

1974 Year of incorporation

2002 Absorbed into Vallibel group

2007 Restructured the Board of Directors and the Management

2010 Listed in the Colombo Stock Exchange

2011
- Head Office was relocated to current location in Colombo 03
- Total number of Branches : 10

2012
- Total assets over Rs. 6 Bn
- Fixed deposit base Rs. 4 Bn

2013
- Commenced Gold Loans facilities at Maharagama Branch
- Credit Rating : BB+/NP with stable outlook, Lanka Rating Agency

2014

- Issued Rs. 500 Mn Unsecured Subordinated Redeemable Listed Debentures
- Appointed as an agent of Western union –MBBL money transfers (pvt) Ltd
- Opened the first premier centre in Nugegoda
- Introduced Group Personal Loans and Property Mortgage Loans

2015

- Lanka Rating Agency upgraded Credit Rating of Vallibel finance to BBB-/P3 with outlook stable
- Rated A- and placed within 100 leading brands in Sri Lanka by LMD brands annual survey
- Joined Lanka pay's national electronic fund transfer network
- Issued Rs. 1 Bn Unsecured Subordinated Redeemable Listed Debentures
- Total workforce over 500
- Branch Network: 24 strategic locations
- Introduced Vallibel Auto Draft and Business Loans to the Product portfolio

2016

- Gross income Rs. 3.47 Bn with an assets base over Rs. 20 Bn and Fixed deposit base Rs. 15 Bn
- Among Sri Lanka's Best Employer Brand - Best Employer Brand Awards 2016

2017

- Vallibel Finance became the first finance company in Uragasmanhandiya
- Branch Network: 32 strategic locations
- Galle branch moves to own premises
- Introduced Microfinance product
- Awarded Vallibel Auto Draft Product as Most Innovative Finance Product Sri Lanka - Global Banking & Finance Review Awards – 2017
- Ranked as Fastest Growing Auto Financing Company Sri Lanka - Global Banking & Finance Review Awards – 2017

2018

- Profit After Tax over Rs. 1 Bn
- ICRA Lanka, upgraded Credit Rating of Vallibel finance to BBB with outlook stable
- Named both 'Sector Winner' of the Finance and Leasing Sector and 'Most Respected Finance/ Leasing Company' Sri Lanka – LMD 2017
- Opened iconic metro branch in Kurunegala

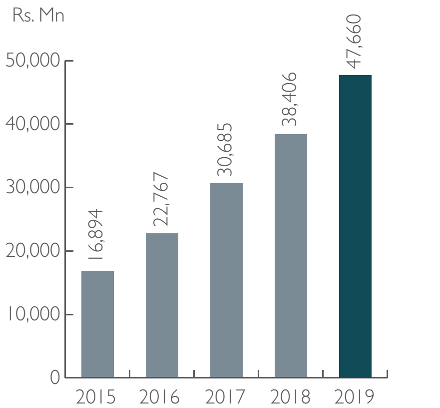
2019

- Right Issue of shares Rs. 1.03 Bn
- Employee strength 900+
- Branch network increased to 40
- Among Top 20 Most Admired Companies of Sri Lanka 2018 – ICC
- Brand Finance upgraded Brand rating of Vallibel Finance to A+

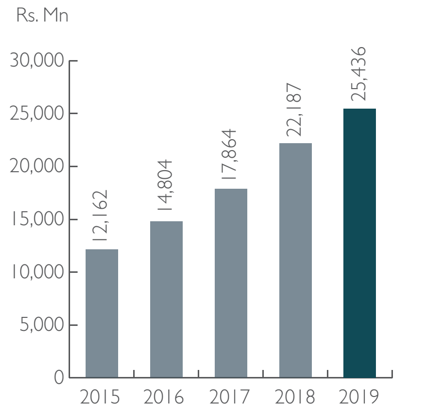
Financial HIGHLIGHTS

For the Year Ended / As at 31st March	2019 Rs. '000	2018 Rs.'000	Change %
FINANCIAL PERFORMANCE			
Gross Income	8,724,530	6,929,201	**25.9**
Gross Interest Expense	4,524,629	3,500,250	**29.3**
Pre-Tax Profit	2,285,618	1,894,394	**20.7**
Income Taxation	619,910	519,207	**19.4**
Profit After Taxation	1,128,728	1,018,637	**10.8**
Revenue to The Government	1,156,890	875,756	**32.1**
FINANCIAL POSITION			
Shareholder's Funds	5,470,953	3,301,110	**65.7**
Total Deposit Base	25,436,258	22,186,879	**14.6**
Borrowings & Bank Overdrafts , Subordinated Term Debts	15,094,390	11,401,533	**32.4**
Loans & Advances, Lease and Hire Purchase	38,957,213	30,827,654	**26.4**
Total Assets	47,659,526	38,406,277	**24.1**
Market Capitalisation	3,867,322	2,783,890	**38.9**
KEY INDICATORS PER ORDINARY SHARE			
Earnings Per Share (Rs.)	20.37	23.59	**(13.6)**
Net Assets Per Share (Rs.)	92.94	79.45	**17.0**
Market Value Per Share (Rs.)	65.70	67.00	**(1.9)**
PE Ratio (Times)	3.23	2.84	**13.6**
KEY RATIOS			
Return on Average Equity (%)	25.73%	34.77%	**(26.0)**
Return on Average Assets - After Tax (%)	2.62%	2.95%	**(11.0)**
Interest Cover (Times)	1.51	1.54	**(1.9)**
Equity / Assets (Times)	0.11	0.09	**22.2**
Debt plus Total Deposit to Equity (Times)	7.12	9.62	**(25.9)**
Non Performing Ratio (%) - Gross	3.02%	2.72%	**11.0**
Non Performing Ratio (%) - Net	0.60%	0.41%	**46.3**
STATUTORY RATIOS			
Liquid Assets - Minimum Required 10%	15.25%	18.79%	**(18.8)**
Core Capital Ratio (%) - Minimum Required 6%	11.13%*	10.60%	**5.0**
Total Risk Weighted Capital Ratio (%) - Minimum Required 10%	12.61%*	12.21%	**3.3**

* Calculated according to the new Capital Adequacy Direction.



TOTAL ASSETS



TOTAL DEPOSITS

GROWTH OF TOTAL ASSETS

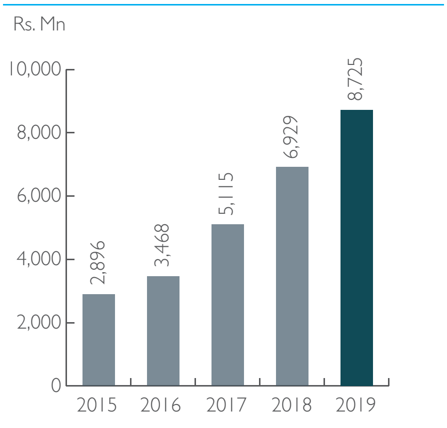
24.1%

GROWTH OF TOTAL DEPOSITS

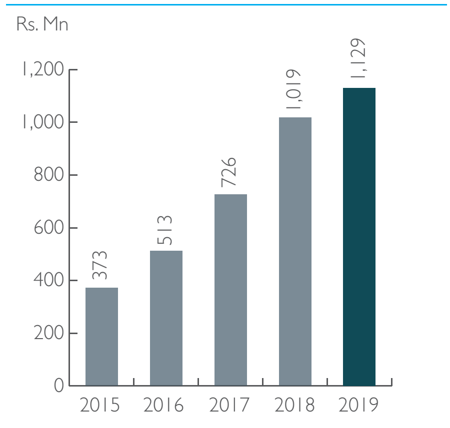
14.6%

While the Company has developed and grown amidst a challenging macroeconomic environment and a highly competitive marketplace, Vallibel has also become a strong contender in the Financial Services Sector. The year-on-year growth in key financial indicators as well the strong financial position created by the Company gives credence to our belief that working as one team with a focused vision for achievement can lead to great success.

Financial Highlights



GROSS INCOME



NET PROFIT

GROWTH OF GROSS INCOME

25.9%

GROWTH OF NET PROFIT

10.8%

TOTAL ADVANCES

Rs. 38.9 Bn

NET ASSETS PER SHARE

Rs. 92.94

Non-Financial HIGHLIGHTS

For the Year Ended / As at 31st March	2019	2018
MANUFACTURED CAPITAL		
Branches (Number)	32	28
Service Centres (Number)	8	8
New Branches Opened (Number)	4	4
Relocated Branches (Number)	1	1
Investment in Property Plant and Equipment (Rs. Mn)	205.05	1,202.42
INTELLECTUAL CAPITAL		
Brand value (Brand Finance) (Rs. Mn)	1,300	625
Brand Ranking (Brand Finance)	A+	A-
Credit Rating (ICRA ratings)	BBB	BBB
HUMAN CAPITAL		
Employees (Number)	923	849
New Recruits (Number)	320	352
Employees Completed 10 Years of Service (Number)	32	19
Profit per Employee (Rs. Mn)	1.22	1.20
Training Programs Carried Out - External (Number)	40	28
Training Programs Carried Out - Internal (Number)	70	54
Investment in Training and Development (Rs. Mn)	9.20	6.36
Staff Remuneration and Benefits (Rs. Mn)	906.84	732.72
SOCIAL AND RELATIONSHIP CAPITAL		
Economic Value Distributed		
Depositors (Rs. Mn)	2,989.82	2,554.23
Employees (Rs. Mn)	906.84	732.72
Government (Rs. Mn)	1,156.89	875.76
Shareholders (Rs. Mn)	1,128.73	1,018.64
Community Development Programmes (Number)	8	6

Message from ACTING CHAIRMAN

Dear Shareholders,

It has been 12 years since Vallibel Finance PLC started our journey "to change the financial landscape of our country". During this short period, we have succeeded beyond expectations to reach heights that have catapulted the Company to be recognised both locally and globally as a brand that meets our customers' financial needs and excels at business performance. During this journey we have been faced with many challenges and risen to embrace them and turn them to our advantage, staying strong and true to our core values and firmly pursuing sustainable business growth.

As part of this journey, we have adopted and continued to embrace transparent reporting. As such it is my pleasure to present you the Company's Annual Report 2018/19, which is our very first annual report prepared in accordance with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). Another first that the Company has adopted for in reporting is the application of the GRI Standards, a voluntary sustainability reporting guideline published by the Global Reporting Initiative (GRI) and accepted as a world leading guideline for sustainability reporting. While we do not claim to have comprehensively covered the core reporting areas as prescribed by the GRI Standard, we have endeavoured to be as open and transparent as possible will plans to improve our reporting disclosures in the coming few years.

The year under review proved to be challenging for the Company, especially from a macroeconomic perspective. The global and domestic disturbances which prevailed for

"The growth in the deposit base and the growth in the loan portfolio, reflects market and customer confidence in the Vallibel brand."

GROWTH OF DEPOSITS

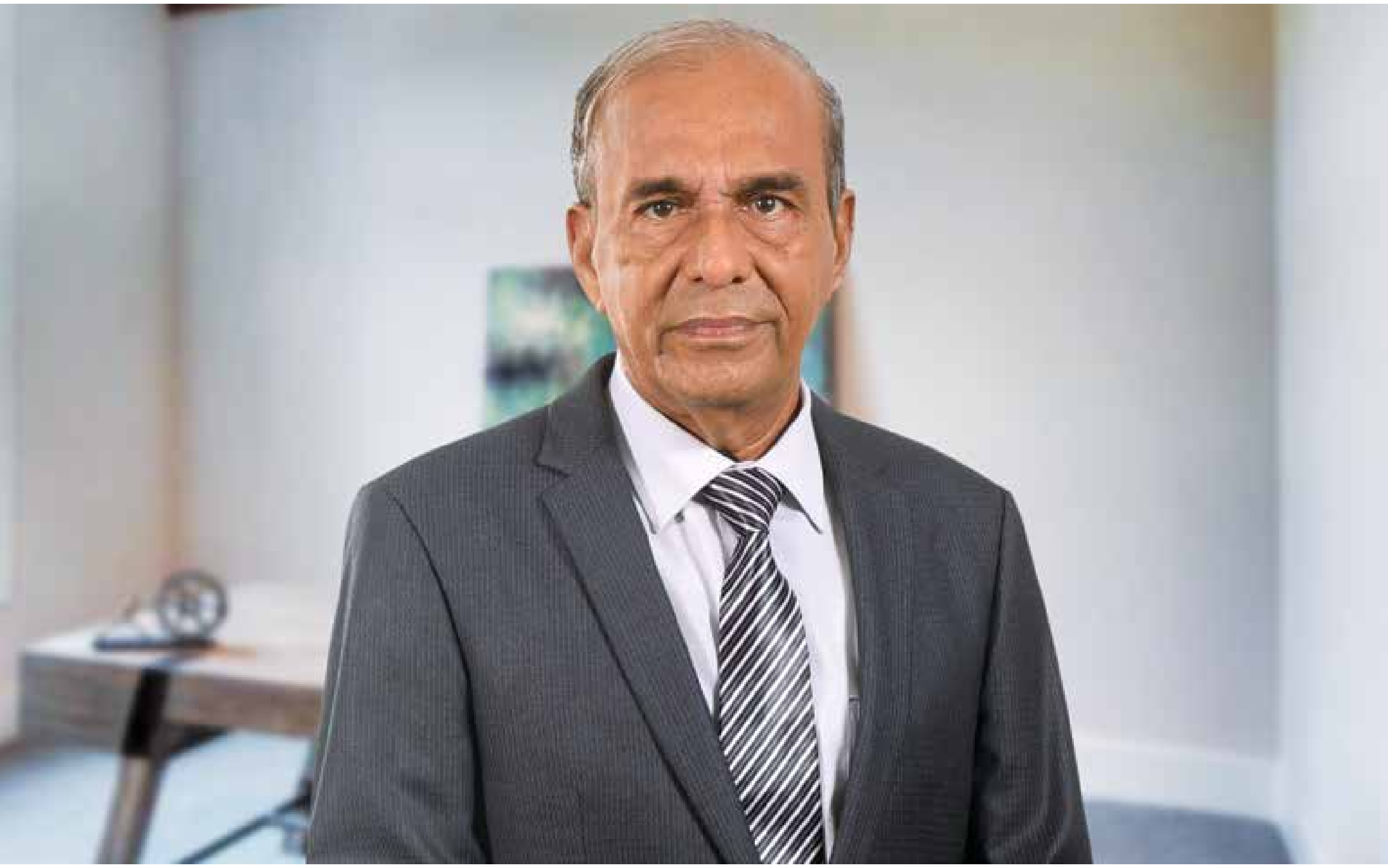
14.65%

Public Deposits increased by 14.65% to reach Rs. 25.44 Bn as at 31st March 2019.

GROWTH OF LENDING PORTFOLIO

26.37%

Total Lending Portfolio increased by 26.37% to record Rs. 38.96 Bn as at 31st March 2019.



most of 2018 adversely affected economic growth and contracted economic activity. The erratic weather conditions continued to adversely impact some agricultural crops such as tea and rubber which are key export earners for the country, while the effects of the stronger US dollar resulted in a depreciating Sri Lankan rupee. The economic situation was worsened in the last quarter of 2018 which saw political uncertainties, the downgrade of the country's Sovereign rating, and a sharp depreciation of the Sri Lankan rupee against the US dollar. The tightening monetary stance adopted by the Central Bank of Sri Lanka in the first quarter of 2018 was relaxed in April due to subdued inflation and lower economic activity than that projected in the start of the year.

The financial sector continued to expand mainly due to the moderate but stable growth of the banking sector and the moderate growth of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector amidst a challenging environment. However, the profitability of the banking sector declined mainly due to the deterioration in the quality of assets, increasing operating costs and higher taxation.

Amidst this lacklustre economic environment, Vallibel Finance was able to achieve a moderate growth during the year under review due to the Company's focus on providing exceptional customer service with customised and innovative product offering supported by the Vallibel brand image and trustworthy reputation in the marketplace. From an operational perspective the Company's total loan portfolio grew by 26.37% to reached Rs. 38.96 Bn in the year under review from

Message from Acting Chairman

Rs. 30.83 Bn in the previous financial year. The Company's total deposits portfolio reached a milestone in the year under review exceeding Rs. 25 Bn to reach Rs. 25.44 Bn as at the end of the financial year under review, further strengthening the Company's position among the leading 10 Licensed Finance Companies with largest deposit base.

From a financial perspective, the total gross income grew by 25.91% to Rs. 8.72 Bn in the financial year under review from Rs. 6.93 Bn in the previous financial year, while the pre-tax profit increased by 20.65% to Rs. 2.28 Bn during the financial year under review from Rs. 1.89 Bn in the previous financial year. Vallibel Finance was also able to strengthen our position within the leading 10 Licensed Finance Companies with the largest asset base during the financial year under review by achieving a growth of 24.09% to record Rs. 47.66 Bn as at the end of the financial from Rs. 38.41 Bn as at the end of the previous financial year. Also noteworthy is the gross Non-Performing Loan ratio of the Company which remained below the industry average at 3.02% which is a 10.99% increase compared to the previous financial year.

Together with the growth in the deposit base and the growth in the loan portfolio, reflects market and customer confidence in the Vallibel brand. Further, the Company's drive to increase our presence across the country through new branch openings and new product offerings consolidates our position as a leading and

Relocated Rathnapura Branch

fast-growing financial services provider for the Sri Lankan customer seeking an ideal financial solution to meet their needs.

During the year under review, Brand Finance Sri Lanka upgraded the Vallibel Finance brand rating to A+ as one of Sri Lanka's Most Valuable Consumer Brands of 2019 by valuing the Company's brand at Rs. 1,300 Mn compared to Rs. 625 Mn in 2018. In addition, LMD increased the Company's ranking from the 71st place to the 60th place in their annual rankings of the 100 Most Valuable Brands in Sri Lanka 2019 List. ICRA Lanka also continued to show their confidence in the Company by re-affirming both the credit rating of Vallibel Finance at [SL] BBB with stable outlook and the issue rating of[SL] AA-(SO) with stable outlook for the LKR 1,000 Mn guaranteed, subordinated, redeemable debenture programme.

As we continue to bask in the successes achieved during the financial year under review, we also set the stage for the forthcoming year. Having experienced the terror of 21st April 2019 and still reeling from its aftermath, I together with everyone at Vallibel Finance send our heartfelt condolences to all the nation's people who lost their loved ones and were adversely affected by the traumatic event of that day. While the future may seem bleak today, it is our hope that we continue to grow and prosper as one nation in solidarity and togetherness without hatred and distrust.

The future of the Company will depend on us standing strong together as we have done for the past 12 years. As in the past, we will continue to expand our branch network, innovate new products and continue to offer customised solutions to suit our customers' individual needs. We will persevere in our efforts to become more transparent in conducting business activities and reporting processes. In everything we do, Vallibel Finance will have one focus – creating sustainable value for all our stakeholders.

In closing, I take this opportunity to credit the Company's success amidst the challenging operating climate in the year under review to the dedication of the management team and all employees who worked tirelessly to achieve set strategies and objectives. The leadership shown by Mr. S. B. Rangamuwa, the Managing Director, continues to be exemplary and is seen in the Company's year-on-year growth and performance. I thank my fellow Board of Directors for giving excellent direction and guidance to take the Company to the next level of achievement while lending their support to me to continue to undertake my fiduciary responsibilities as the Chairman of the Board of Vallibel Finance. I thank Mr. Dhammika Perera for his continued support in silently and steadily guiding us in the right path to ensure we meet the vision he initially conceptualised. Last but not the least, I thank all our stakeholders - shareholders, customers, the government and regulatory institutions, for the confidence and trust placed in the Company at all times.

R M Karunaratne
Acting Chairman

It is my great pleasure to present the inaugural Integrated Annual Report 2018/19 of Vallibel Finance PLC.

The financial year under review was remarkable for the Company despite the challenges that arose from a macroeconomic perspective during the latter part of 2018. Vallibel Finance continued to pursue our planned growth trajectory and achieved a growth of 20.65% in pre-tax profits and 26.37% in the loans and advances portfolio. The Company's total assets increased to reach Rs. 47.67 Bn during the year under review, while the deposit base exceeded the 25 Bn landmark to reach Rs. 25.44 Bn as at 31st March 2019.

Concurrently, the Company's goals of opening new branches to widen our market reach ensured access to financial services to a widening customer base across the country. While, the emphasis placed on product development, extensions and customizations to support customers' financial needs also ensured the Company's sustainable growth. We continued to allocate resources and focused our efforts to serve our customers at ever increasing levels of service thereby realising our goals of increasing the Vallibel Finance brand value and reputation across our target audience.

Staying Strong amidst Continued Challenges

According to the Central Bank of Sri Lanka (CBSL), the Licensed Finance Companies (LFCs) sector recorded a moderate growth amidst challenging global and local market conditions in 2018. This was mainly driven by diminishing credit quality which resulted in increasing the non-performing loans and advances during 2018 compared to 2017. Resultantly, the sector experienced a combination of low credit growth, declining profitability and

Message from MANAGING DIRECTOR

"This year's annual report is dedicated to showcase the value created by Vallibel Finance by taking a capitals approach – Financial, Manufactured, Intellectual, Human, Social and Relationship and Natural."

increasing non-performing loans causing an overall slowdown during 2018.

However, Vallibel Finance was able to rise above industry standards mainly due to our focused efforts over the years to maintain our non-performing loans at very low levels, expand reach through market development and product development strategies, and ensure a superior customer service to our diversified customer base.

As such, the Company undertook some re-alignment in our product mix during the financial year under review to accommodate external operating conditions which changed our customers' financial needs. Vallibel Finance also successfully opened four new branches in Dambulla, Bambalapitiya, Avissawella and Narammala in the Central, North Western and Western Provinces of the country. In addition, Rathnapura branch was relocated to offer greater convenience to customers.

Together with our focused strategic direction, these measures ensured sustained growth momentum in 2018 while the Company also continued to hold a strong position within the top 10 Licensed Finance Companies in the country in terms of assets base and deposits base.

Performance Summary

During the year under review, the Company has maintained the Non-Performing Loans (NPL) ratio at a creditable level of 3.02% which continues to remain well below the industry average of 7.7%. The total gross income increased by 25.91% to recorded Rs. 8.72 Bn during the year under review while the interest income earned increased by 26.07% to Rs. 7.89 Bn as at 31st March 2019.

The Company's total loan portfolio grew exponentially by 26.37% to reach Rs. 38.96 Bn during the year under review. The finance leases also realised an exceptional growth of 16.35% to reach Rs. 14.58 Mn

Message from Managing Director

as at 31st March 2019, which is much higher than the industry average. As a result, the interest income from finance leases increased by 14.32% during the financial year under review.

The Company's asset base grew by 24.09% while the deposit base grew by 14.65% during the year ended 31st March 2019. Growth of both these key indicators were well above the industry average and supported by the Company's reputation as a fast-growing financial institution in the country.

A Unique Brand Proposition

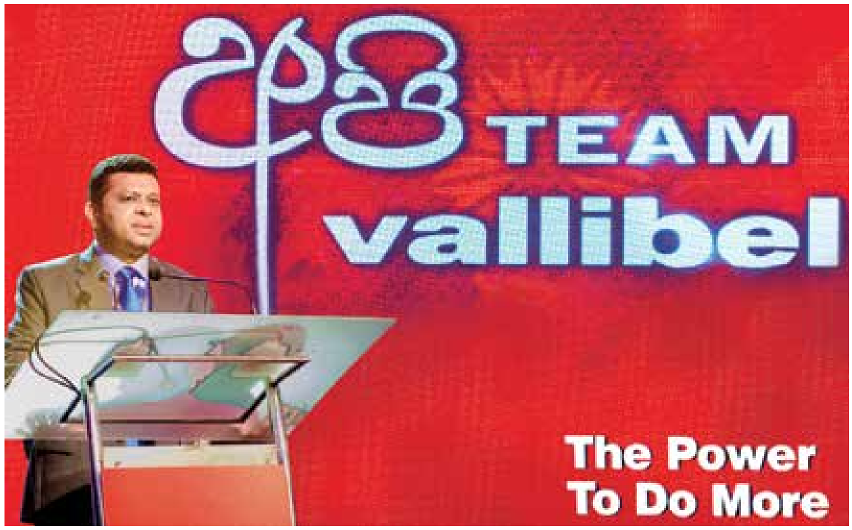
In a short span of 12 years, Vallibel Finance has developed a strong yet unique corporate brand proposition by focusing on a customised value adding product portfolio with the specific aim of meeting the needs of our diverse customer base.

Such claims are proven by the substantial 108% increase in the Vallibel Finance brand value which was recorded at Rs. 1.3 Bn in 2019 as declared by Brand Finance Sri Lanka. This was a memorable achievement for not just the Company but for the LFCs sector too; as we were acknowledged as recording the second highest growth rate in brand value amongst all leading corporates in the country.

Further, the brand ranking given to Vallibel Finance by Brand Finance Sri Lanka was also upgraded to 'A+' in 2019 further showcasing the growth of the Company's brand from strength-to-strength.

Excelling Corporate Reputation

Re-iteration of the Company's reputation, quality financial services and financial stability was achieved during 2018/19 with the Company's credit rating of [SL] BBB with stable outlook being re-affirmed by ICRA Lanka.



Annual Get Together held at Water's Edge, Colombo

These external recognitions solidifies the Company's aim to pursue evermore ethical and transparent business practices and alludes to our perseverance to abide by the rules and regulations as set out by Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and Exchange Commission of Sri Lanka, the Institute of Chartered Accountants of Sri Lanka, and the Department of Inland Revenue of Sri Lanka.

Creating Value for Our Stakeholders

This year's annual report is dedicated to showcase the value created by Vallibel Finance by taking a capitals approach – Financial, Manufactured, Intellectual, Human, Social and Relationship and Natural. While creating value for our stakeholders had been a mantra for the Company over our 12 years of business operations, this year, we categorise value creating according to these six capitals. Each of the capital reports from pages 32 to 80 showcase how the Company has successfully created value for our diverse stakeholder groups within identified important topic and aspect areas derived through the stakeholder and materiality analysis undertaken by the Company.

As a responsible financial institution, the Company is proud of our contribution to government funds by way of taxation as this is used in the advancement of the nation. In the year under review, the Company contributed a substantial sum of Rs. 1.16 Bn to the government which is equivalent to 52% of the gross profit earned by the Company.

Future Outlook

The Vallibel Finance journey is mapped to achieve our aim of changing the financial landscape of our country. We will continue to increase our physical presence across the country and improve and enhance our customer support and service processes by improving the efficiency of our internal controls and processes.

The coming year will also see the Company embark on the construction of our much-awaited state-of-the-art head office complex in the heart of Colombo which is being developed to offer all conveniences to employees and our customers.

More and more, we are becoming aware of the disruption caused by the adoption of information technology in consumers' daily lives. As such, plans are underway to leverage the latest innovations in information technology to cater to the technology-driven expectations of our customers and enhance their customer experience while remaining competitive within the changing landscape of the Sri Lankan financial services industry.

It is our belief that this is the time for us to showcase our strengths and inherent business practices while we aggressively grow and achieve our strategic goals despite the challenging environmental factors.

We are optimistic as always about the years and ahead and foresee many positive results being achieved. As such we will stay strong and meet challenges head-on to achieve remarkable success as we continue our journey of triumphs and accomplishments.

Acknowledgements

It has been a privilege for me to serve Vallibel Finance in the capacity of Managing Director for 12 years. My journey was made more successful by the guidance and support provided to me by Mr. Dhammika Perera, the Founder Chairman of the Company and the Chairman of Vallibel Group.

I also thank our outgoing Chairman, Mr. Ranjith De Silva whose vast experience in the public sector helped Vallibel Finance to continue our journey of success and growth. I also place on record my appreciation for the continued support of the Acting Chairman, Mr. R. M. Karunaratne and the Board of Directors.

The planning and commitment of the Company's management and employees is the foremost success factor of Vallibel Finance. My leadership team and entire team Vallibel have always stood by me through both challenging and successful times, leading Vallibel Finance to growth and success by believing in the path we are on.

I take this opportunity to thank them for their assistance in operationalising the Company's strategies and goals without question or doubt. I also thank the efforts of all members of our staff who are undoubtedly the backbone of our success for their support and dedication to the Company over the years.

I also thank our customers, who are the mainstay in ensuring the Company's success by continuing to trust the Vallibel Finance brand to provide them with the best possible financial solution to solve their financial needs. Our other stakeholders including shareholders, regulators, and government institutions must also be acknowledged for their unfailing support, and the confidence placed in the Company which enables the creation of long-term sustainable value as per their expectations.

S B Rangamuwa
Managing Director

Proposed site for new Head Office Complex

Operating Environment OVERVIEW

Global Economic Outlook

Global economic growth was 3.6% 2018 compared to the robust 4% achieved in 2017, mainly due to the economic slowdown experienced in many major global economies during the second half 2018. China's growth declined due to tighter credit policies and increasing trade tensions with the United States while Japan's economy was impacted by natural disasters. In the euro region, Germany was hit by disruptions in car production due to the introduction of new emission standards, Italy experienced reducing investment as sovereign spreads widened, France's street protests caused disruption in retail sales which impacted consumption spending, and the United Kingdom experienced a slowdown in investment spending due to growing concerns about a no-deal Brexit. Other larger advanced economies also experienced financial tightening together with monetary policy normalisation, while emerging market economies were faced with increasing trade tensions which eroded business confidence and had a negative impact on financial market sentiment which combined with country-specific factors further contributed to the slowdown in global economic growth in 2018. However, economic growth in the United States remained robust amidst this slowdown mainly due to a tighter labour market and strong consumption growth, although reduction in investments was experienced in the second half of 2018.

Global growth in 2019 is project to be 3.3%, with emerging market and developing economies projected to stabilise at a little below 5% with variations being seen by region and country. However, the outlook for emerging Asia remains favourable, although China is projected to grow at a slower pace converging with frontier economies toward higher income levels. For other regions, the outlook is complicated by a combination of structural bottlenecks, slower advanced economy growth and, high debt and tighter financial conditions. These factors together with subdued commodity prices and civil conflicts in some countries are the reasons for the subdued medium-term growth projection for Latin America, the Middle East, North Africa, the Pakistan region, and parts of sub-Saharan Africa. (Source: World Economic Outlook April 2019, International Monetary Fund)

Sri Lankan Economic Outlook

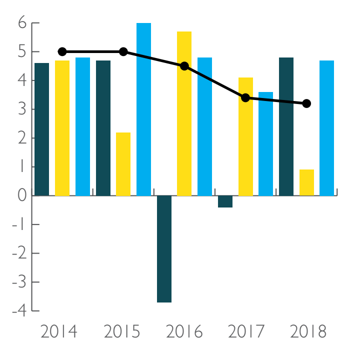
Sri Lankan economic growth was impacted by both global and domestic factors. From a global standpoint, the normalisation in monetary policies especially in the United States resulted in a tightening of global financial conditions causing capital outflows due to increasing pressure on exchange rates. This affected the Sri Lankan economy from mid-April 2018. Developments such as the downgrade of the country's Sovereign rating and the political uncertainty in the fourth quarter of 2018 worsened an already weakened economic growth with the Central Bank of Sri Lanka reporting a GDP growth at only 1.8% during this quarter. The strengthening of the US dollar, the political uncertainty experienced in the last quarter of 2018, and the tight liquidity conditions in the domestic foreign exchange market resulted in a 16.4% depreciation of the Sri Lankan rupee against the US dollar in 2018. These factors also contributed to the adverse impact on the external sector of the economy which experienced increased foreign exchange outflows, particularly due to higher import expenditure and capital

> *"The financial sector grew moderately in 2018 despite the challenging global and domestic market conditions."*

outflows. Resultantly, the trade deficit surpassed USD 10 billion for the first time in Sri Lanka's history.

Sri Lanka's real GDP growth recorded 3.2% in 2018 compared to 3.4% in 2017, amidst a low inflation environment. The total size of the Sri Lankan economy was estimated at USD 88.9 billion, while the per capita GDP was recorded at USD 4,102 in 2018, marginally lower than in 2017.

This growth was supported by the services sector which expanded by 4.7% with the financial services continuing to be the main contributor to growth followed by wholesale and retail trade activities. The agricultural sector also recorded a growth of 4.8% supported by favourable weather conditions for crops such as paddy, other cereals and vegetables. The industrial sector however, contracted significantly during the year recording only a growth of 0.9% due to the reduction of construction activities, and mining and quarrying activities in 2018.



ANNUAL GDP GROWTH RATE

(Source: CBSL Annual Report 2018)

From an expenditure perspective, both consumption and investment expenditure supported economic growth. Investments only declined by 0.2% to record 28.6% of GDP in 2018 compared to 2017, although investment expenditure only grew by 6.8% in 2018 compared to 15.8% in 2017. However, the gap between savings and investments widened during the year indicating increased dependence on external resources to fill the shortfall. Consumption expenditure however, recorded a slower growth at 8.3% in 2018 compared to 10.3% in 2017, but accounted for 78.8% of GDP.

Amidst this slowdown in economic activity the unemployment rate increased marginally by 0.2% to 4.4% in 2018, while a decline in the labour force participation rate was also observed during the year.

Despite the sharp depreciation of the Sri Lankan rupee against major currencies and resultant increase in prices of imported goods and services as well as increasing prices of domestic petroleum products, both headline and core inflation remained subdued in 2018 as the Central Bank of Sri Lanka ended the tightened monetary policy regime in April 2018 and reduced the Standing Lending Facility Rate (SLFR) by 25 basis points. Thus, although headline inflation measured by the Colombo Consumer Price Index (CCPI) saw some fluctuation amidst an overall decline mainly due to price fluctuations resulting from declining food prices, reduced to 2.8% by end 2018 compared to 7.1% recorded at the end of 2017. Headline inflation measures by the National Consumer Price Index (NCPI) following the same trend as CCPI, declined sharply to 0.4% by end December 2018 from 7.3% recorded at the end of 2017. Core inflation rates also remained at low single digit levels during 2018 with year-on-year core inflation based on CCPI recording a slow down to 3.1% by end 2018 from 4.3% recorded at the end of 2017. The year-on-year NCPI based core inflation accelerated marginally to 3.1% by end 2018 from 2.7% recorded at the end of 2017

Sri Lanka's macroeconomic performance has been falling below predictions and expectation over the last few years, mainly due to the continued delays in the implementation of required structural reforms and the introduction of inconsistent and unpredictable policies from time-to-time. While Sri Lanka has made significant progress in maintaining price stability in the past decade, the above factors have negatively impacted the growth momentum of the economy thereby preventing the country from progressing into a higher income economy.
Source: CBSL

Financial Sector of the Sri Lankan Economy

The financial sector grew moderately in 2018 despite the challenging global and domestic market conditions. While there were no major macro prudential concerns, credit quality of financial sector deteriorated considerably during 2018 with increased non-performing loans and advances compared to 2017. Key contributors to this deterioration of credit quality were the challenging global and domestic market conditions, cascading effects of the unfavourable weather conditions of 2017 and the slowdown of

Operating Environment Overview

economic activities in 2018. Performance of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector slowed down significantly during 2018 due to low credit growth, declining profitability, increasing non-performing loans, and a decline in asset quality.

The banking sector realised a moderate expansion during 2018 while maintaining capital and liquidity levels above the regulatory minimum requirements. While the growth of the asset base was moderate during the first half of 2018, the second half of the year saw an acceleration due to high credit growth which was spread across major sectors of the economy. The profitability of the banking sector, as reflected by Return on Assets (ROA) ratio and Return on Equity (ROE) ratio, declined during the year mainly due to the deterioration in assets quality, rise in operating costs and increase in taxes. The Central Bank continued to strengthen the security of the banking sector by implementing prudential policy measures and regulations including enforcement of Basel III requirements and the adoption of the Sri Lanka Accounting Standards 9 (SLFRS 9) during 2018.

Sub-sectors such as insurance and primary dealers also grew only moderately due to the unfavourable global and domestic market developments in 2018 while equity market activities declined considerable in 2018 compared to 2017.

Non-Banking Sector Economic Performance

Snapshot of the LFC/SLC Sector	2018	2017	2016
Assets			
Total Assets (Rs. Bn)	1431.3	1355.0	1211.9
Loans and Advances (Net) (Rs.Bn)	1137	1057.1	962.7
Gross Non Performing Advances to Total Advances (%)	7.7	5.9	5.3
Net Non Performing Advances to Total Advances (%)	2.4	1.5	1.2
Liquidity			
Total Deposits (Rs.Bn)	716.8	686.7	530.7
Total Borrowings (Rs.Bn)	463.8	396.0	438.7
Liquid Assets to Total Assets (%)	7.6	8.9	7.1
Capital			
Capital (Rs.Bn)	183.7	169.7	146.1
Core Capital (%)	9.9	12.4	11.3
Total Risk Weighted Capital (%)	11.2	13.1	11.7
Earnings			
Interest Income (Rs.Bn)	241.5	231.5	188.9
Net Interest Income (Rs.Bn)	108.8	102.7	92.1
Profit Before Tax (Rs.Bn)	39.7	43.2	47.2
Return on Assets (Annualized) (%)	2.7	3.2	4.0
Return on Equity (Annualized) (%)	12.1	16.1	23.1

Source: CBSL Annual Report 2018

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector comprised of 43 LFCs and five SLCs with 1,373 branches and 658 other outlets at the end of 2018. Majority of the branches at 68% were concentrated outside the Western Province, showcasing the increasing availability of financial services across Sri Lanka. The sector recorded a moderate expansion mainly due to the slowdown in credit growth, reduction in profitability and the decline in the asset quality. The slowdown in credit growth is mainly attributed to the fiscal and macro prudential policy measures taken by authorities to curtail import of motor vehicles with certain exceptions. The decline is asset quality is due to the increase in non-performing loans while reduced profitability is attributed to the increasing funding cost and loan loss provisions.

However, growth was still achieved in total assets which recorded a slower growth rate of 5.6% in 2018 compared to the 11.8% achieved in 2017. Total assets value of the sector increased by Rs. 76.3 billion to reach Rs. 1,431.3 billion in 2018. The sector's asset base mainly consists of 79.4% loans and advances of which finance leases accounted for the highest share at 52.8% followed by other secured loans at 38%.

Movements in Lending Portfolio

The fiscal land macro prudential policy measures imposed on the sector to curtail motor vehicle imports resulted a slowdown in lending with credit facilities provided by the sector growing only 7.6% to Rs. 1,137 billion compared to the 9.8% growth achieved in 2017. Finance leases contributed 84.5% to the credit growth while secured loans and advances contributed 16.1%. The hire purchase portfolio contracted by 29.7% to Rs. 8 billion in 2018, while the finance lease portfolio increased to 14.7% in 2018 compared to the 13% growth realised in 2017.

Movements in Deposit Base

Deposits of the sector increased during 2018 mainly attributed to the declining trend in deposit interest rates, although the deposit growth slowed down to 4.4% in the year compared to the 29.4% growth achieved in 2017 attributed to the negative public perception towards LFCs. Total deposits however, accounted for 50.1% of total liabilities of the sector up from 50.7% recorded in 2017. Sector borrowings recorded a growth of 17.1% up from the negative levels recorded in 2017 mainly attributed to the increasing reliance on bank borrowings over deposits due to flexibility and negative public perception towards LFCs.

Capital Structure

The sector's capital elements increased by 8.2% to Rs. 183.7 billion at the end of 2018, as LFCs increased capital levels to enhance the minimum core capital to meet the minimum Rs. 1.5 billion levels required by 1st January 2019 and due to accumulation of profits for the financial year 2017/18. The sector's core capital and total risk weighted capital adequacy ratios decreased to 9.9% and 11.2% in 2018, compared to 12.4% and 13.1% respectively achieved in 2017.

Non-Performing Loans Ratio

The gross Non-Performing Loans (NPL) ratio increased to 7.7% in 2018 compared to 5.9% in 2017, mainly due to the unfavourable weather conditions during 2017 and slowdown in economic activities in 2018. This was the highest recorded NPL ratio since February 2015. The provision coverage ratio also declined to 57% in 2018 compared to 64% in 2017, resulting in an increase in the net NPL ratio to 2.4% in 2018 compared to 1.6% in 2017 showing signs of deterioration in the asset quality of the sector. The loan loss provisions made against non-performing loans also increased by Rs.12.4 billion during 2018 compared to Rs. 13.5 billion provisions made in 2017. Expectation of the extreme weather conditions continuing and the spill over effect of the Debt Relief programme introduced by the Ministry of Finance and Mass Media in August 2018 is expected to continue to have a negative effect on the NPL ratio in the coming year while the implementation of SLFRS 9 is also expected to be a challenge for credit risk of the sector.

Sector Liquidity

Liquidity of the sector declined during 2018 compared to the surplus of Rs. 35 billion in 2017 but remains positive with a surplus of Rs. 25.6 billion as against the stipulated minimum requirement of Rs. 88.2 billion. Net interest income of the sector increased at a slower rate than in 2017, recording a growth of 6% to Rs.

Operating Environment Overview

108.8 billion down from 11.5% recorded in 2017. This was mainly due to the 4.3% growth in interest income and the 2.9% growth of interest expenses in 2018. As a result, a marginal decline was realised in the net interest margin of the sector to 7.4% in 2018 compared to 7.7% in 2017. Nevertheless, non-interest income increased by 11.9% due to increase in default charges and other service charges while non-interest expenses also increased by 1.5% during 2018 mainly due to due to increase in staff costs which had a negative impact on the profitability of the sector.

Due to the slowdown in the non-banking sector and negative public perception towards LFCs, the Central Bank continued to take appropriate prudential measures where necessary and initiated several policy measures throughout the year to strengthen the supervisory and regulatory framework of LFCs and SLCs, to increase customer protection and confidence and to address issues relating to several weak finance companies in order to safeguard financial system stability.

Our Value Creation BUSINESS MODEL

The Vallibel Finance PLC business model takes an integrated approach to creating and transforming value for all our stakeholders. All aspects of capital inputs are processed and enhanced through stringent and dedicated business systems and processes which are then returned as outputs which are greater than the sum of all parts.

The Company's value creation approach is based on the integrated reporting format which segregates an organisation's value creation in terms of six key capitals, namely financial, manufacturing, intellectual, human, social and relationship capital and natural capital. The strategic management of these six capitals is governed by the Company's principles of sustainability and stewardship thereby ensuring that Vallibel Finance is able to achieve year-on-year business growth.

The Company's business model is also impacted by external factors – the global and local macroeconomic developments, the financial sector landscape of Sri Lanka, and technological advances which change the way in which business is conducted. The dynamism of the external operating environment remains a challenge for the Company while its impact can sometimes be unexpected and unforeseen. However, to mitigate such risks the Company has in place a robust risk management and corporate governance frameworks as well as stringent operational controls.

As a responsible corporate, Vallibel Finance places much emphasis on being sustainable and adopting the principles of triple bottom line in business activities. Thus, creating value to stakeholders takes a holistic view and approach which considers business impact from a financial and non-financial perspective for the longer term.

Our business model is direct, and we believe it shows a clear strategy aligned with our vision, mission, values, goals and strategic objectives. Together with a sustained engagement mechanism to communicate with our stakeholders the Vallibel Finance business model is the key to creating and delivering long term value to meet stakeholder expectations.

Strategic Resource Allocation

To create value to our capitals and consequently for our stakeholders, the Company has in place a robust stakeholder engagement process which also helps in deriving the significant material topics to both the Company and our stakeholders. These two elements help the Company to allocate scarce and limited resource to meet the strategic goals. The Company's overarching strategic goals are cascaded down from the basis by which the goals of each of the six capitals are developed. The key goals and their achievement are highlighted in the relevant capital management reviews later in this annual report.

> *"Creating value to stakeholders takes a holistic view and approach which considers business impact from a financial and non-financial perspective for the longer term."*

Our Value Creation Business Model

Inputs

Financial Capital
The funds generated through equity, customer deposits and other short-term and long-term funding sources used by the Company for value creating activities.

Manufacturing Capital
The tangible and intangible infrastructure, branch network, service centers, as well as key investments in technology which enables the Company to carry out business operations.

Intellectual Capital
A wide range of interconnected areas such as knowledge retention, brand value, corporate culture and ethics which forms the core foundation which dictates the Company's way of doing business.

Human Capital
All employees who are an integral part of our business ensuring business growth and success.

Natural Capital
The natural resources used in carrying out day-to-day business operations of the Company.

Social & Relationship Capital
The strong bonds formed with our key stakeholders – customers, investors, employees and the community, which enable business growth.

Value Creation Process

Our Guiding Principles
- Vision
- Mission
- Core Values

Operational Framework
- Corporate Governance
- Risk Management
- Support Activities

Product Lines
- Deposits
- General Leasing
- Micro Leasing
- Vehicle Mortgage Loans
- Personal Loans
- Property Mortgage Loans
- Group Personal Loans
- Business Loans
- Auto Draft
- Gold Loans

Outputs/Outcome

Financial Capital
- Total assets Rs. 47.66 Bn
- Lending portfolio Rs. 38.96 Bn
- Net interest income Rs. 3.36 Bn
- Deposit base Rs. 25.44 Bn
- Total interest expenses Rs. 4.52 Bn.

Manufacturing Capital
- Property, Plant and Equipment increased to Rs. 1.72 Bn
- Number of new branches – 4, bringing the total to 40 branches
- Fixed asset investment during the reporting year – Rs. 216 Mn

Intellectual Capital
- Brand value increased to Rs. 1,300 Mn, According to Brand Finance Sri Lanka
- Credit rating – (SL) BBB with stable outlook
- Awards – 4 new awards during the reporting year

Human Capital
- Invested Rs. 9.2 Mn in Training & Development
- Salaries and benefits paid – Rs. 906.84 Bn
- New recruits – 320
- Number of employees – 923

Natural Capital
- Initiatives for protecting the natural environment

Value Creation to Stakeholders

Customers
- Paid Rs. 2.99 Bn as interest to deposits holders
- Opened 4 new branches in Bambalapitiya, Dambulla, Awissawella and Narammala

Employees
- Paid Rs. 906.84 Mn in salaries and benefits
- 228 employees promoted to the next grade
- Invested Rs. 9.2 Mn in Training & Development
- Created 327 new job opportunities

Shareholders
- Return on Equity 25.73%
- Maintained transparent, timely and relevant investor communication and reporting practices

Business Partners
- Paid Rs. 1.36 Bn as interest to financial service providers
- Payments to other business partners - Rs. 683.45 Mn

Government institutions and Regulators
- Paid Rs. 1.15 Bn as tax
- Strengthening the capital adequacy to meet regulatory level requirements

Society/Community
- Over Rs. 7 Mn spent on community development projects

Stakeholders ENGAGEMENT

Vallibel Finance PLC commences the sustainability journey by identifying our key stakeholders and engaging with them through different platforms to build long term relationships. The Company acknowledges that stakeholders are impacted by our business operations while stakeholders can also have a high impact on the Company's sustainability and future growth. Thus, we have realised that to be a truly sustainable business entity, stakeholder involvement is required through sustained and adequate engagement processes so that Vallibel Finance can understand stakeholder concerns and address them in a manner which is mutually acceptable to all parties concerned. This is expected to create true value to both the business and our stakeholders thereby ensuring the sustainability of the Company.

> *"The Company acknowledges that stakeholders are impacted by our business operations while stakeholders can also have a high impact on the Company's sustainability and future growth."*

During the year under review, Vallibel Finance identified and engaged with different stakeholder groups who significantly influence or are influenced by the economic, environmental and social performance of the business and are the ultimate beneficiaries of the value created by the Company.

The table below gives an overview of key stakeholder groups, their expectations and concern areas as well as the engagement methods used to communicate with them throughout the year under review.

Stakeholder	Stakeholder expectations	Engagement Method	Frequency	Key concern areas
Shareholders	1. Sustainable earning growth 2. Healthy financial performance 3. Good governance 4. Transparency and disclosures 5. Risk management 6. Compliance with statutory and regulatory requirements	1. Annual General Meeting	Annual	Company performance
		2. Extraordinary General Meetings	As required	
		3. Annual Report	Annual	Company performance
		4. Interim Financial Statements	Quarterly	Financial performance
		5. Announcements to CSE	As required	Company information
		6. Press releases	As required	Company information
		7. One to one discussions	As required	Investor relations
		8. Company website	Continuous	Company information

Stakeholder	Stakeholder expectations	Engagement Method	Frequency	Key concern areas
Customers	1. Customer satisfaction 2. Quality service 3. Enhancing accessibility of services to all levels in society island wide 4. Introducing new products to meet evolving needs of customers 5. Grievance handling	1. Customer hotline	As required	Customer inquiries/ complaints/suggestions
		2. One –to-one meetings	As required	Customer relations
		3. Direct customer feedbacks	Continuous	Dispute resolution
		4. Media campaigns/advertisements and marketing campaigns	Continuous	Awareness
		5. Updating the company website	Continuous	Product information
		6. Regular interactions at customer touch points	Continuous	Customer relations
		7. Customer visits	As required	Customer relations
		8. Grievance handling	As required	Customer complaints
Employees	1. A healthy work life balance 2. Recognition and rewarding career 3. Career progression and development opportunities 4. Grievance handling mechanism 5. Enhancement of skills and knowledge	1. Staff meetings	Periodically	Review business performance
		2. Company social events	Periodically	Work-life balance
		3. Email updates	Continuous	Operational changes
		4.Training programs	As required	Training and development
		5. Open door policy	Continuous	Direct interaction with management
Government institutions and Regulators	1. Compliance with rules and regulations 2. Good corporate governance and business ethics 3. Expansion locally	1. Directives and circulars	As required	Compliance
		2. On-site review by CBSL	Annual	Compliance
		3. Press releases	As required	Compliance and awareness
		4. Meetings and consultations	As required	
		5. Submission of periodic returns	As specified	Compliance
		6. Training sessions organized by regulators	As required	Awareness and knowledge
Business partners	1. Timely payments 2. Supplier evaluation 3. Growth potential 4. Future business opportunities	1. Supplier meetings	As required	Contractual performance
		2. Letters/emails/telephone conversations	Continuous	Responsible sourcing
		3. Suppliers get together	Annual	Networking
		4. One-to-one meetings	As necessary	Supplier relations
		5. Periodic visits	Continuous	Supplier relations
Society/Community	1. Ethical business conduct 2. CSR activities 3. Responsible financing 4. Environmental performance 5. Employment opportunities	1. Media advertisements and press releases	As required	Awareness
		2. Public events	As required	Public relations
		3. CSR Projects	As required	Supporting the wellbeing of the Community
		4. Interact through branch network	As required	Financial inclusion
		5. Social media interaction	Continuous	Public relations and communications
		6. Company website	Continuous	Public relations

Our Material TOPICS

On completion of the stakeholder engagement process, Vallibel Finance PLC reviews concerns, and issues raised by key stakeholders and then prioritises these according to the significance to the Company and the stakeholders' perspectives.

Thus, a materiality analysis is undertaken according to the requirements as set out by the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the GRI Standards, sustainability reporting guidelines published by the Global Reporting Initiative (GRI) to adequately identify and report material topics and disclosures.

During the year under review the following areas were identified as material aspects of the Company which were prioritised for counter response and action to reduce and/or mitigate stakeholders' concerns.

The material aspects and topics under each are then prioritised using the materiality matrix.

Significance to the Stakeholder High		Low	Medium	High
	High		203	201,205, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 418
	Medium		202, 204, 302,303, 306, 307,416, 413,417,419	
	Low	206		
		Significance to Vallibel Finance		

Materiality Matrix

The materiality matrix derived from the materiality analysis is plotted according to the importance of key aspects aligned to the GRI Standard topics as significant to the Company and our stakeholders. The Company has identified as high significance aspects which are important to all our key stakeholder groups – Shareholders, Customers, Employees, Government Institutions and Regulators, Business Partners, and the Society/Community.

Material Aspects and Corresponding GRI Standard Topic

	Material Aspects	Corresponding GRI Standard Topic
1	**Sustainable Earnings Growth**	GRI 201: Economic Performance
		GRI 202: Market presence
		GRI 203: Indirect Economic Impacts
		GRI 204: Procurement Practices
2	**Customer Satisfaction**	GRI 416: Customer Health and Safety
		GRI 417: Marketing and Labelling
3	**Company Brand and Reputation**	GRI 206: Anti-competitive behaviour
		GRI 413: Local Communities
4	**Ethics, Compliance and Good Governance**	GRI 205: Anti-corruption
		GRI 307: Environmental compliance
		GRI 408: Child Labour
		GRI 409: Forced or compulsory labour
		GRI 410: Security practices
		GRI 418: Customer privacy
		GRI 419: Socioeconomic Compliance
5	**Managing Human Resources**	GRI 401: Employment
		GRI 402: Labour/management relations
		GRI 403: Occupational health and safety
		GRI 404: Training and education
		GRI 405: Diversity and equal opportunity
		GRI 406: Non-discrimination
		GRI 407: Freedom of association and collective bargaining
6	**Commitment to the Environment**	GRI 302: Energy
		GRI 303: Water
		GRI 306: Effluents and waste

"A materiality analysis is undertaken according to the requirements as set out by the Integrated Reporting Framework of the International Integrated Reporting Council and the GRI Standards ..."

Financial CAPITAL

"The Vallibel Finance financial performance continued on an upward trend despite many challenges faced in the macroeconomic and industry environments."

1
Diversifying the Company's funding sources

Achievement 2018/2019

- The total funding mix consisted of 11.48% shareholders' funds, 53.37% public deposits, and 35.15% bank and other borrowings.

2
Increasing business volumes

Achievement 2018/2019

- Lending portfolio (gross) expanded more than Rs. 40 Bn, a growth of 26.91%.
- Deposit base increased to over Rs. 25 Bn, a growth of 14.65%.

3
Ensure asset quality and maintain the NPL ratio below the industry average

Achievement 2018/2019

- Non-Performing Loan (NPL) ratio was 3.21%.

4
Deliver consistent returns to shareholders

Achievement 2018/2019

- Return on average equity was 25.73%.
- Increased in shareholders' funds by 65.73% to Rs. 5.47 Bn.

Overview

The Company's financial capital consists of our sources of funds from capital providers used in business operations to create value for our stakeholders. The key components are equity capital -funds contributed by shareholders and from retained earnings, and debt capital - short-term and long-term funds obtained from bank borrowings and deposits mobilised from the general public.

By effectively investing such funds in loans and advances, and other investments, the Company generates sustainable returns which are then disbursed among the key stakeholders of the Company.

The financial year under review was a challenging year for financial institutions including Vallibel Finance due to external global and domestic macroeconomic factors impacting business growth. However, the overall performance of the Company remained relatively strong and our focused efforts ensured a sustained year-on-year growth.

Management Approach

The Company approaches the management of financial capital predominantly based on the adherence to the rules and regulations as set out by the Sri Lanka Accounting Standards (SLFRSs/ LKASs), the Companies Act No.07 of 2007, Finance Business Act No. 42 of 2011, the Listing Rules of the Colombo Stock Exchange (CSE), and the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka. Further, by adopting prudent measures of financial resource management and focusing on maintaining costs and expenses to budgeted and acceptable levels, Vallibel Finance ensures proper day-to-day financial management of the Company.

Financial Review 2018/2019

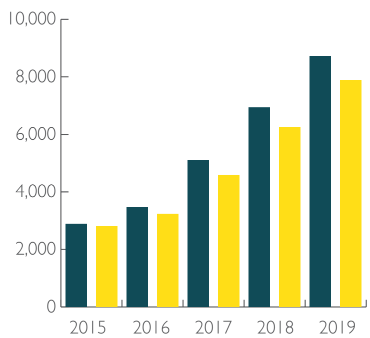
Financial Performance

The Vallibel Finance financial performance continued on an upward trend despite many challenges faced in the macroeconomic and industry environments. While growth momentum for some key performance indicators may have slowed for the financial year under review, the Company's focused strategic direction and flexibility in adapting to external environmental changes resulted in an overall growth that the Company is proud to have achieved.

Income

The Company's total income for the year under review increased by 25.91% to Rs. 8.72 Bn compared to Rs. 6.93 Bn recorded in the previous financial year. The primary source of earnings which continued to be the loan and advances portfolio recorded an interest income of Rs. 7.43 Bn for the year under review, which is a growth of 27.48%, compared Rs. 5.83 Bn earned in the previous financial year.

In addition, the interest income on investments was Rs. 441.84 Mn while other non-interest income generated Rs. 836.51 Mn for the total income during the year under review.

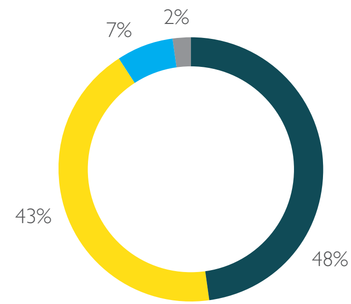


COMPOSSITION OF REVENUE (Rs. Mn.)

Gross Income   Interest Income

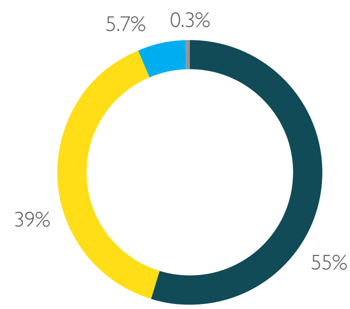
Interest Income

The interest income earned by the Company during the financial year under review increased by 26.07% to Rs. 7.89 Bn compared to the Rs. 6.26 Bn earned in the previous financial year. Interest income sources comprised of leasing, hire purchase and other loans and advances, and other investments.



COMPOSITION OF INTEREST INCOME - 2018

- Other Loans & Advances
- Finance Leases
- From Other Investments
- Hire Purchase



COMPOSITION OF INTEREST INCOME - 2019

- Other Loans & Advances
- Finance Leases
- From Other Investments
- Hire Purchase

Financial Capital

Interest income from the leasing portfolio increased by 14.32% to Rs. 3.10 Bn during the year under review compared to Rs. 2.71 Bn in the previous financial year. While leasing has thus far been the largest contributor to interest income, the contribution reduced to 39% during the year under review, a 4% reduction compared to the previous financial year while contribution from other types of loans and advances increased. This change materialised due to the fiscal and macro prudential policy measures taken by regulators to curtail importation and credit granted for the purchase of motor vehicles which had a cascading negative impact on the demand for core lending products in the Non-Banking Financial Institution (NBFI) sector *(Source: CBSL Annual Report 2018).*

The Company has ceased to offer the hire purchase product to customers over the last few years. Hence, during the financial year under review, the hire purchase portfolio further decreased to Rs. 42.01 Mn from Rs. 219.93 Bn in the previous financial year. The total interest earned from the hire purchase portfolio stood at Rs. 23.95 Mn as at 31st March 2019.

The Company's other loans and advances portfolio realised extensive growth due to the rapid expansion in business volumes with the increase in business lines under this category. The other loans and advances portfolio comprised of mortgage loans, personal loans, vehicle loans, gold loans, fixed deposit loans, group personal loans, business loans and microfinance. Interest income from other loans and advances grew by 42.44% and recorded Rs. 4.31 Bn, compared to Rs. 3.03 Bn recorded in the previous financial year. This resulted in the other loans and advances contribution to total interest income increasing to 55% during the financial year under review. The Company expects the other loans and advances portfolio to continue this growth momentum in the coming financial year as well, as a result of the focused efforts to build this portfolio as a strategic product range of Vallibel Finance.

Other interest income of the Company comprises of interest earned on Placements with Banks and Other Finance Companies and interest income from investments in government securities such as Treasury Bills, Treasury Bonds, etc. Thus, other interest income amounted to Rs. 455.76 Mn during the financial year under review.

Interest Expenses

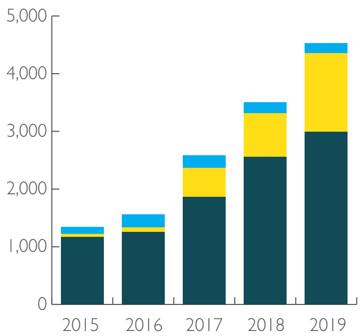
Interest expenses comprising of interest due to customers, due to banks, debt issued, and other borrowed funds of the Company increased from 29.27% during the financial year under review recording Rs. 4.52 Bn compared to Rs. 3.50 Bn incurred in the previous financial year.

Interest expenses on deposit amounted to 66.08% of the total interest expenses and increased by 17.06% to Rs. 2.99 Bn during the financial year under review compared to the 36.96% growth to Rs. 2.55 Bn realised in the previous financial year.

Interest expense due on the Company's borrowings comprises of interest expense on bank overdrafts, bank term loan facilities, securitised borrowings, and debentures.

Interest on bank borrowings and securitised borrowings increased by 79.68% from Rs. 759.92 Mn as at 31st March 2018 to Rs. 1.36 Bn during the financial year under review. The Company's increased exposure to bank borrowings and securitised borrowings was due to Vallibel Finance obtaining new loan facilities during the year under review of Rs. 9.78 Bn. Thus, the total bank borrowings and securitised borrowings increased by 42.77% to Rs. 14.06 Bn as at 31st March 2019 compared to Rs. 9.85 Bn as at 31st March 2018. The loan facilities were obtained to benefit from low interest rates, to strengthen the Company's liquidity position, to support the rapid expansion of business operations, and to manage maturity mismatches between assets and liabilities. This move by the Company reflected the overall shift in the LFC sector's reliance from retail deposits to bank borrowings during the last few years due to greater flexibility and lower costs.

The Company's total debentures (Subordinated Term Debts) generated Rs. 169.28 Mn to the total interest expenses in the financial year under review.



COMPOSITION OF INTEREST EXPENSE (Rs. Mn.)

- *Interest on Deposits*
- *Interest on Bank Borrowings and Securitized borrowings*
- *Interest on Debt Securities*

Net Interest Income

Net Interest Income (NII) increased at a slower rate in the financial year under review compared to the increase realised in the previous financial year. Net Interest Income increased by 22.01% to Rs. 3.36 Bn compared to the 38.31% growth to Rs. 2.76 Bn realised in the previous financial year. The prevailing interest rate regime which was trending upward for most of 2018 added pressure on the net interest margin which witnessed a downward trend during the financial year under review. However, the Company's strategic decision to re-price certain products together with the proactive adjustments to our funding structure contributed to lowering the impact of the downward movement of the Net Interest Income.

Net Interest Income (Rs. Mn)	2015	2016	2017	2018	2019
Total Interest Income	2,800	3,245	4,597	6,257	7,888
Total Interest Expense	1,344	1,559	2,604	3,500	4,525
Net Interest Income	1,455	1,686	1,993	2,757	3,363

Other Operating Income

Interest income is supplemented by other operating income also referred to as non-interest income. Other income of the financial year under review amounted to Rs. 836.51Mn, a 24.44% increase compared to Rs. 672.22 Mn earned in the previous financial year. Non-interest income is comprised mainly of fee and commission income; early termination income; gain/loss on disposals of property, plant and equipment; gain/loss from Financial Investments and other income. During the financial year under review, fee and commission income and early termination income accounted for 84.09% of the total other operating income.

Total Operating Income

Total operating income comprises of net interest income and other income. Total operating income for the financial year under review was Rs. 4.20 Bn compared to Rs. 3.43 Bn during the previous financial year. This increase was mainly attributed to the increase of interest income and other income by 25.91%, while net interest income contributed 80.08% to total operating income.

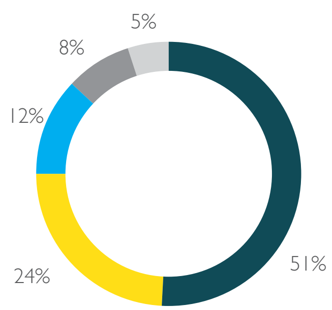
Operating Expenses

The total operating expenses for the financial year under review amounted to Rs.1.72 Bn an increase of 20.25% compared to the operating expenses incurred in the previous financial year. The main contributors to this increase were the rise in personnel expenses and the escalating cost of premises, equipment and other establishment expenses.

Personnel expenses continued to account for the largest share at 52.75% of total operating expenses. Personnel expenses grew by 23.76% to Rs. 906.84 Mn during the financial year under review mainly due to new branch openings, expansion of business lines and increasing employment benefits. Net employee cadre increased by 74 during the financial year under review.

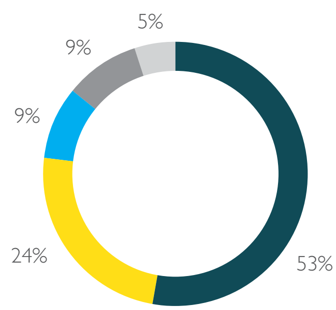
Premises, equipment and establishment expenses grew by 27.78% to Rs.154.03 Mn resulting from the Company's branch expansions during the financial year under review. The total advertising and business promotional expenses amounted to Rs. 161.89 Mn for the same period.

Financial Capital



COMPOSITION OF
OPERATING EXPENSES - 2018

- *Personnel Expenses*
- *Other Expenses*
- *Advertising & Business Promotional Expenses*
- *Premises Equipment and Establishment Expenses*
- *Depreciation of Fixed Assets & Amortization of Intangible Assets*



COMPOSITION OF
OPERATING EXPENSES - 2019

- *Personnel Expenses*
- *Other Expenses*
- *Advertising & Business Promotional Expenses*
- *Premises Equipment and Establishment Expenses*
- *Depreciation of Fixed Assets & Amortization of Intangible Assets*

Cost to Income Ratio

The Company continuously strives to improve the efficiency of business operations by monitoring and controlling costs. As a result, cost to income ratio decreased during the financial year under review to 40.93% compared to 41.69% recorded in the previous financial year. This reduction showcases the Company's efforts to manage costs being effective while encouraging Vallibel Finance to increase our efforts to further improve operational efficiencies.

Impairment Charges

The implementation of SLFRS 9 with effect from 01st April 2018 together with the reduction of the asset quality during the year under review resulted in an increase in impairment allowance not just for the Company, but the financial services sector of the country. This substantial increase is attributed primarily to differences in impairment methodology consequent to the implementation of SLFRS 9 which requires impairment allowances to be based on a forward-looking expected credit loss model compared to LKAS 39 where the impairment allowance was calculated based on the incurred loss method. Thus, the impairment charge for the financial year under review increased to Rs. 195.10 Mn compared to Rs. 104.86 Mn in 2017/18.

In addition, the cumulative impact of impairment allowance as at 01st April 2018 arising from the change in methodology from LKAS 39 to SLFRS 9 (day-one impact), the deferred tax impact thereon and the impact of re-classification of asset categories amounted to Rs. 124.87 Mn. This was charged against the retained earnings as at 01st April 2018. Consequently, cumulative impairment allowance increased to Rs. 1,179.09 Mn as at 31st March 2019 using the SLFRS 9 accounting standard compared to Rs. 795.39 Mn as at 31st March 2018 using the method as required under LKAS 39.

Taxation

Taxation charges of Vallibel Finance comprises of direct taxes such as income tax and financial service taxes, and indirect taxes such as Value-Added Taxation (VAT), withholding tax and National Building Tax (NBT). The effective tax rate for the financial year under review was 35.5% compared to applicable rate of 33.8% in the previous financial year. Total corporate income tax expenses increased by 19.40% to Rs. 619.91 Mn during the financial year under review from Rs. 519.21 Mn in the previous financial year. VAT on financial services increased by 20.50% there by increasing the VAT paid for financial services to the government to Rs. 379.22 Mn for the financial year under review compared to Rs. 314.72 Mn in the previous financial year.

As stated in the Finance Act No. 35 of 2018, with effect from 1st October 2018, a 7% Debt Repayment Levy was introduced on the value addition attributable to the supply of financial services by each financial institution. As a result, the Company's total tax burden increased to Rs. 107. 20 Mn during the financial year under review.

Taxation Charges for the year ended 31st March (Rs. Mn)	2018	2019
Income Tax	519	620
Value Added Tax on Financial Services	315	379
Nation Building Tax on Financial Services	42	51
Debt Repayment Levy	-	107
Total	876	1,157

Profitability

The Company's profit before taxation increased by 20.65%, recording Rs.2.29 Bn in the financial year under review. Increased business volumes, improved other income, and improved operational efficiency were the primary contributors to this growth. However, the increase in taxation payable to the government by Vallibel Finance due to the imposition of the 7% debt repayment levy resulted in the net profit for the year increasing by only 10.81% to Rs. 1.13 Bn, compared Rs. 1.02 Bn in the previous financial year.

The Return on Average Assets (ROA) calculated on the after-tax profit figure, stood at 2.62% as at 31st March 2019 compared to 2.95% as at 31st March 2018. Return on Average Equity (ROE) stood at 25.73% as at 31st March 2019 compared to 34.77% as at 31st March 2018. However, the Company's ROE still remains well above the industry average of 12.1% despite the reduction realised in the financial year under review *(Source: CBSL Annual Report 2018).*

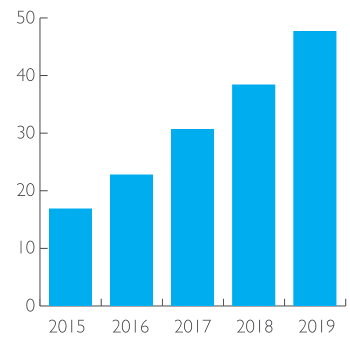
Profitability (Rs. Mn)	2015	2016	2017	2018	2019
Profit Before Taxation	633	912	1,324	1,894	2,286
Taxation	260	398	598	876	1,157
Net Profit	373	514	726	1,018	1,129

Financial Position

Vallibel Finance continued to consolidate our strong growth position in the industry by further increasing the assets base of the Company, while simultaneously focusing on sustaining the Company's credit quality, by maintaining high levels of deposits despite negative perception by the public on Licensed Finance Companies (LFCs) and increasing shareholder funds. A key development for the financial year under review was the increase in share capital to strengthen capital base of the Company.

Total Assets

The Company's asset base recorded a noteworthy performance amidst market challenges growing by 24.09% to record Rs. 47.66 Bn as at 31st March 2019, compared to Rs. 38.41 Bn as at 31st March 2018. This growth is mainly due to the expansion in business volumes during the financial year under review. The Company continues to apply strict measures for the effective management of the asset mix to ensure optimised asset growth and stability while maintaining the high quality of the portfolio.

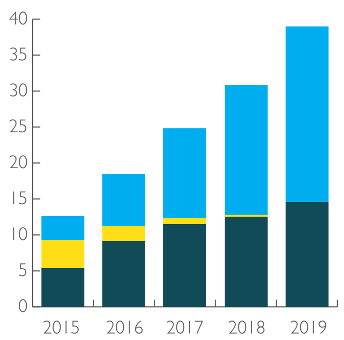


TOTAL ASSETS (Rs. Bn)

Liquidity Position

The Company's total liquid assets comprising of cash and short-term funds, investment in government securities, treasury bills, and placement with commercial banks amounted to Rs. 4.17 Bn as at 31st March 2019 compared to Rs. 4.62 Bn as at 31st March 2018. This growth reflects a healthy liquidity position the Company with the liquid assets to total deposits ratio recording 16.39% as at 31st March 2019.

Financial Capital



LENDING PORTFOLIO DISTRIBUTION FOR LAST FIVE YEARS (Rs. Bn)

Lease
Hire Purchase
Other Loans and Advances

During the financial year under review, the Company's lending portfolio increased by 26.37% to Rs. 38.96 Bn from Rs. 30.83 Bn in the previous financial year. The total finance lease portfolio was Rs. 14.58 Bn as at 31st March 2019 compared to Rs. 12.53 Bn as at 31st March 2018, recording a rise of 16.35%. Hire purchase receivable further decreased to Rs. 42.01 Mn as at 31st March 2019 compared to Rs. 219.93 Mn as at 31st March 2018. The Company's lease rental and hire purchase receivables accounted for 38% of the total lending portfolio, while other loans and advances continued to dominate the total lending portfolio being the largest contributor in recent years. Other loans and advances accounted for 62% of the total lending portfolio as at 31st March 2019.

Other loans and advances (also referred to as loans and receivables to other customers) comprises of mortgage loans, personal loans, vehicle loans, gold loans, fixed deposit loans, group personal loans, business loans and microfinance. The other loans and receivables portfolio increased by 34.63% to Rs. 24.33 Bn as at 31st March 2019, compared to Rs. 18.07 Bn recorded as at 31st March 2018. This increase was largely due to the expansion in vehicle loans, personal loans, fixed deposits loans and gold loan portfolios. Due to the increasing risk factors associated with microfinance, the Company held back granting new microfinance loans during the financial year under review as a strategic policy decision to propel growth and allow recovery of the existing lending portfolio.

Composition of Other Loan and Advances (Rs. Mn)	2015	2016	2017	2018	2019
Gold Loans	149	522	897	1,510	2,513
Loans Against Fixed Deposits	145	277	378	388	532
Micro Finance Loans	-	-	108	20	4
Other Loans & Advances	3,013	6,452	11,084	16,155	21,283
Total Other Loans & Receivables (Net)	3,307	7,252	12,467	18,074	24,332

Credit Quality

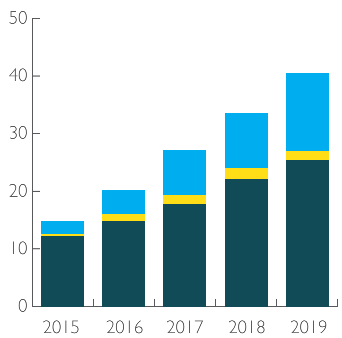
The Company's Non-Performing Loan (NPL) ratio remained at a manageable level during the year under review despite an increase compared to the previous year. The NPL ratio was 3.02% as at 31st March 2019 and was still maintained at much lower levels than the industry average of 7.7% (Source: CBSL Annual Report 2018). The increase in NPL ratio of the Company was inevitable as this reflected the performance of the financial sector during the year under review mainly attributed to adverse weather conditions and the slowdown in economic activities in 2018. As a result, the Company took measures to further strengthen the credit risk management and recovery processes by a combination of both prudent lending policies and aggressive recovery strategies. The Vallibel Finance Credit Division and Recovery Division also remained focused on mitigating undue credit risks and maintaining the NPL ratio at levels acceptable to the Company.

Total Liabilities

The total liabilities of the Company are comprised of the deposit base, bank overdraft facilities, term loan facilities obtained from banks, securitised borrowings, debentures and other liabilities. As at 31st March 2019 the total liabilities stood at Rs. 42.19 Bn, an increase of 20.18% compared to Rs. 35.11 Bn as at 31st March 2018. The largest portion of funding was from public deposits which accounted for 60% of total liabilities as at 31st March 2019 compared to 63% as at 31st March 2018. However, the reduction of 2% compared to the previous year under review is due to the Company's focus to reduce reliance on deposits and move to bank borrowings due to greater flexibility and lower funding costs. Thus, the Company's exposure to bank borrowings increased during the financial year under review, reflecting 33% of total liabilities as at 31st March 2019 as opposed to 28% as at 31st March 2018.

The Company's bank borrowing which comprise of bank overdraft facilities, term loans and securitised borrowings amounted to Rs.14.06 Bn as at 31st March 2019, a 42.77% increase compared to Rs. 9.85 Bn as at 31st March 2018. This growth is mainly due to the securitised borrowings and term loans obtained during the year. In total, loan facilities amounting to Rs. 9.78 Bn were obtained and Rs. 5.52 Bn facilities were repaid during the financial year under review.

As at 31st March 2019, the Company's Subordinated Term Debts/Debentures stood at Rs. 1.03 Bn compared to Rs. 1.55 Bn 31st March 2018. The Rs. 500 Mn Unsecured Subordinate Redeemable Debentures issued in 2014 by the Company were matured and redeemed on February 2019.

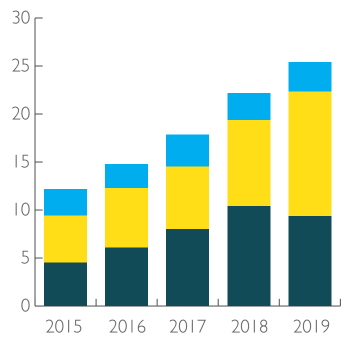


DEPOSIT BASE, OVERDRAFT & OTHER BORROWINGS (Rs. Bn)

Deposits
Bank Overdraft
Other Borrowings

Deposit Base

Public Deposits increased by 14.65% to reach Rs. 25.44 Bn as at 31st March 2019 compared to Rs. 22.19 Bn as at 31st March 2018. This increase in deposit base despite the general trend in the marketplace of the negative confidence by the public on Licensed Finance Companies showcases the trust placed by the public on the Vallibel Finance brand. Of the total deposit base, fixed deposit accounted for 96.62% while Certificate of Deposits contributed a modest 3.38% as at 31st March 2019.

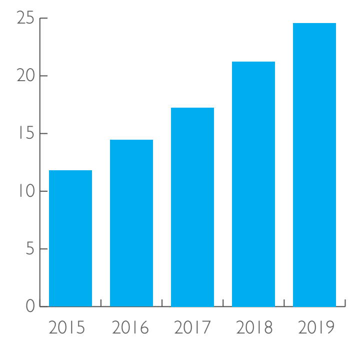


ANALYSIS OF DEPOSITS BY MATURITY DATE (Rs. Bn)

1 to 90 days
91 to 365 days
More than 365 days

Of the total deposit base, 88% has a maturity of less than one year while the remaining 12% have much longer-term maturities. This mix is maintained as the Company continues to focus on obtaining medium- and long-term funding to minimise mismatches in interest bearing assets and liabilities through the provision of competitive rates, thereby improving customer service and the overall efficiency of the system.

The Company's fixed deposits realised a year-on-year rise of 15.72%, amounting to Rs. 24.58 Bn as at 31st March 2019 against Rs. 21.24 Bn as at 31st March 2018. The value of Certificate of Deposits as at 31st March 2019 stood at Rs. 859.88 Mn compared to Rs. 942.42 Mn as at 31st March 2018.



FIXED DEPOSITS (Rs. Bn)

Capital Adequacy

The capital adequacy is the measure of financial strength of a Company expressed as a ratio of its capital to its risk-weighted assets. This ratio indicates the Company's ability to maintain adequate capital in the form of equity and supplementary capital to meet any unexpected losses.

LFCs and SLCs with an asset base less than Rs. 100 Bn are required to maintain minimum Tier I capital adequacy ratio of 6% and total capital ratio of 10% with effect from 1stJuly 2018 to 1st July 2019 under the new capital adequacy framework. Thereafter a stage-by-stage annual increase is expected up to 1st July 2021. The new capital adequacy framework has been developed with a

Financial Capital

view to improve risk management and improve the risk assessment capabilities of LFCs by focusing on both credit and operational risks by aligned the BASEL regulatory framework. This will result in increasing the minimum capital adequacy ratios of LFCs every year up to 2021.

The Company's Tier I capital ratio stood at 11.13% while the total risk weighted capital ratio was 12.61%, as at 31st March 2019, exceeding the minimum regulatory limits of 6% and 10% respectively, according to the new capital adequacy direction. The Company's core capital ratio and total risk weighted capital ratio as at 31st March 2018 were 10.60% and 12.21% respectively, according to the previous capital adequacy direction.

Vallibel Finance's present core capital and total capital amount to Rs. 5.31 Bn and Rs. 6.02 Bn respectively which comfortably exceeds the regulatory requirements set by Central Bank of Sri Lanka. The detailed breakdown of the capital adequacy ratio computation is given in the Note 52D.i of the Financial Statements.

Stated Capital

The stated capital of the Company as at 31st March 2019 was Rs. 1,325,918,000 represented by 58,863,350 ordinary shares. During the financial year under review, the stated capital was increased by Rs. 1.039 Bn through a rights issue to existing shareholders in the proportion of five (05) new ordinary shares for every twelve (12) shares held, at an issue price of Rs. 60 per share. The rights issue was fully subscribed, and the stated capital increased by Rs.1,038,765,000 while the number of ordinary shares in issue increased by 17,312,750. These new shares were listed on the Colombo Stock Exchange main board on 20th June 2018. The objective of the rights issue was to strengthen the Tier I capital base of the Company in keeping with the Company's expansion plans and maintaining the capital adequacy requirements as stipulated by the Central Bank of Sri Lanka.

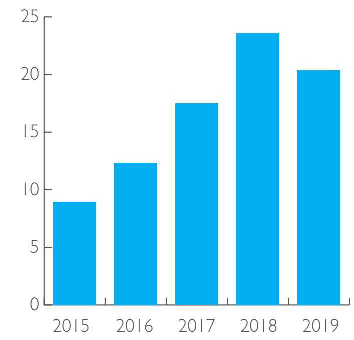
Shareholders' Fund

The Company's main source of capital continued to be retained earnings which stood at Rs. 3.05 Bn as at 31st March 2019, an increase of 34.22% compared to Rs. 2.27 Bn at 31st March 2018. Thus, the total shareholders' fund increased by 65.73% to Rs. 5.47 Bn as at 31st March 2019 compared to Rs. 3.30 Bn as at 31st March 2018. Return on average shareholders' funds however decreased as at 31st March 2019 recording 25.73% compared to 34.77% as at 31st March 2018. This reduction was due to the increase in the stated capital of the Company by 361.75% through a rights issue during the year under review.

Key Ordinary Share Indicators

Earnings per Share

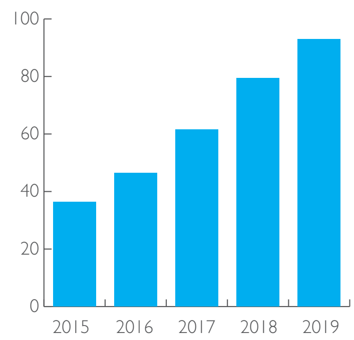
The earnings per share for the 12-month period ending 31st March 2019 recorded as Rs. 20.37 from Rs. 23.59 recorded for the 12-month period ending 31st March 2018. This shows a decrease in earnings per share of 13.68% due to the increased number of shares in issue as at 31st March 2019 compared to the financial year ended 31st March 2018.



EARNINGS PER SHARE (Rs.)

Net Asset Value per Share

As at 31st March 2019, the net asset value per share was Rs. 92.94 recording an increase of 16.99% compared to Rs. 79.45 as at 31st March 2018. This growth is attributed to the increase in equity base resulting from the right issue in the year under review.



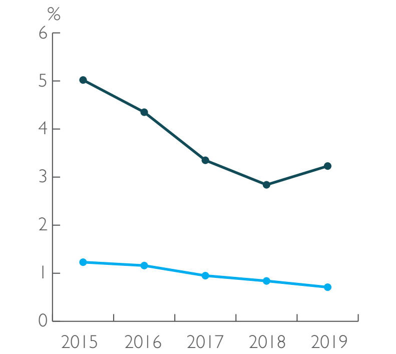
NET ASSET VALUE PER SHARE (Rs.)

Price Earnings (P/E) Ratio

The P/E ratio as at 31st March 2019 increased by 13.60% to 3.23 times from 2.84 times as at 31st March 2018.

Price to Book Value Ratio

The price to book value decreased by 0.14 times from 0.84 times to 0.71 times compared to the previous financial year due to increased shareholder wealth dominance.

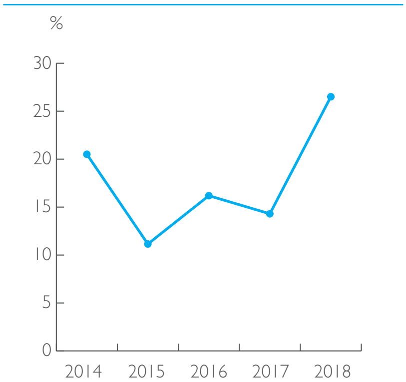


EARNINGS

- *Price Earnings (P/E)*
- *Ratio and Price to Book Value (PBV)*

Dividends

The Company regularly pays dividends to shareholders as a means to ensure the creation of direct value for the investment made in the Company.

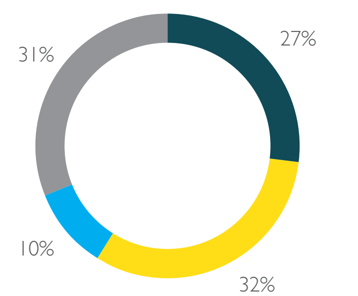


DIVIDEND PAYOUT

Economic Value-Added Statement

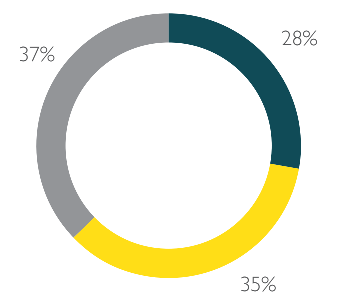
The Company's value-added statement provided information on the value created for our stakeholders. During the year under review Vallibel Finance was able to increase the total value added by 21.61% which results in an increase in value distributed to Key stakeholders of the Company.

For the Year Ended 31st March	2019 Rs.	%	2018 Rs.	%
Value Added				
Income from Interest Related Activities	7,888,022,365	90%	6,256,980,109	90%
Income from Other Activities	836,507,977	10%	672,220,944	10%
	8,724,530,342	100%	6,929,201,053	100%
Depositors & Lenders	4,524,628,517	83%	3,500,249,672	83%
Cost of Sales & Services	719,089,378	13%	622,191,141	15%
Impairment Charges for Loans and other losses	195,100,737	4%	104,858,877	2%
	5,438,818,632	100%	4,227,299,690	100%
Total Value Added	3,285,711,710		2,701,901,363	
Distribution of Value Added				
To Employees as Remuneration	906,841,898	28%	732,719,605	27%
To Government as Taxation	1,156,889,642	35%	875,756,360	32%
To Providers of Capital as Dividend	-	-	269,859,231	10%
To Expansion & Growth				
Depreciation & Amortisation	93,251,698	3%	74,788,004	3%
Retained Profits	1,128,728,472	34%	748,778,163	28%
Total Distribution of Value Added	3,285,711,710	100%	2,701,901,363	100%



VALUE ADDED STATEMENT 2018

- *To Employees as Remuneration*
- *To Government as Taxation*
- *To Providers of Capital as Dividend*
- *To Expansion & Growth*



VALUE ADDED STATEMENT 2019

- *To Employees as Remuneration*
- *To Government as Taxation*
- *To Providers of Capital as Dividend*
- *To Expansion & Growth*

Financial Capital

Future Outlook

The Company's dynamism and strong financial base puts us in a competitive position in the market, allowing for growth to be achieved even in challenging operating and economic conditions expected to prevail in the coming years. In consideration of the new capital adequacy requirements which came into effect in July 2018, Vallibel Finance will continue to focus on increasing it Tier I capital base to be aligned with and to meet the new regulatory requirements as set out for LFCs.

The Company will continue to focus on value adding business lines to increase lending portfolio and will also retain a funding mix which adequately addresses both business requirements and takes advantage of the external operating factors. Thus, while we gear ourselves to take on challenges which will come our way in the near term, we are also reviewing our long-term strategies to consider unexpected and unforeseen development which may occur in the dynamically changing operating and economic environment.

Challenges Faced and Actions Taken

The main challenge in creating value for financial capital lie in the volatility experienced in the ever-changing macroeconomic environment within which Vallibel Finance operates our business. Further, the changing regulatory directions together with market operating conditions which are impacted by macroeconomic developments will continue to be a challenge which the Company must be ready to meet head-on. With rising interest rates managing costs is becoming a key area of concern. Thus, cost optimisation will be a focus area as well as a challenge in the coming years. These factors will all impact the Company's ability to remain competitive in the marketplace and retain our position as a leading Sri Lankan finance company.

By integrating these challenges within the key strategic plans and direction of the Company in the next few years, Vallibel Finance is assured that we will come out stronger and better. By keeping abreast of changes in the regulatory, operating and macroeconomic environment the Company will be able to effectively manage any changes that take place while lessening any adverse impacts by being flexible in adapting to changes through changes in strategic direction and focus. Optimising costs proactively by adopting technology advancements and improving operation efficiency through process improvements is an area which will serve the Company well in the coming years. Such counter measures to the expected challenges will enable Vallibel Finance to continue our growth trajectory while creating financial capital value for our stakeholders.

Manufactured CAPITAL

> *Vallibel Finance creates manufactured capital value for stakeholders by focusing on expanding our branch network and using IT to enhance communication efforts and increase customer service experience.*

Overview

Vallibel Finance PLC's manufacturing capital consists of our branch network, information technology infrastructure and other property, plant and equipment of the Company. With 32 branches and eight service centres across Sri Lanka, the Company is well placed to further our growth strategies while achieving adequate visibility in the marketplace.

Strategic Goals

1

Expanding island wide reach

Achievement 2018/2019

- Opened two new branches in expanding cities/towns in the Central and North Western provinces of Sri Lanka.
- Further expand branch network in the Western province by opening two branches in key strategic cities/areas.

2

Upgrade and relocation of branches based on strategic priorities of improving energy efficiency, convenience to customers and conducive working environment for employees.

Achievement 2018/2019

- Upgraded and relocated the Rathnapura branch to meet these strategic priorities.

3

Enhance customer services and convenience by leveraging on information technology

Achievement 2018/2019

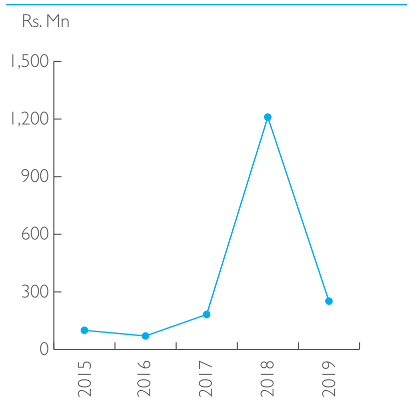
- Increased digital marketing, social media and promotional activities.
- Revamped the Corporate Website
- Introduced new IT security systems.

Manufactured Capital

While the Company property, plant and equipment of Rs.1.5 Bn at net book value, comprises of freehold and leasehold land and building, furniture and fittings, office equipment, and motor vehicles.

Vallibel Finance creates manufactured capital value for stakeholders by focusing on expanding our branch network and using information technology to enhance internal and external communication efforts and increase customer service experience. As a sustainable business entity, the optimisation of resources allocated to serve our customers and other stakeholders in the best way possible, minimising costs and simultaneously enhancing efficiency aimed at increasing profitably of the Company also is an important element of value creations.

During the year under review, the Company invested Rs. 215.82 Mn on manufactured capital including Rs. 121.93 Mn on branch network expansions and refurbishments, Rs. 35.60 Mn on the purchase of motor vehicles for use in day-to-day business operations and Rs. 58.28 Mn on information technology infrastructure to increase service efficiency and information security of the Company's customer information.



TOTAL INVESTMENT IN MANUFACURED CAPITAL FOR FIVE YEARS

MANUFACTURED CAPITAL IN 2017/18

COST = Rs. 1.053 Bn

Very high investment in manufactured capital in 2017/18 is due to the purchase of a property to relocate the Vallibel Finance Head Office complex.

Management Approach

Vallibel Finance approaches branch network expansion by pursuing a strategy of increased and enhanced financial services across Sri Lanka. This includes increasing financial services offerings to consumers across the country by opening branches in areas which have a dearth of appropriate financial services offerings, focusing on cities and towns which are urbanizing at a fast pace as well as towns which are becoming thriving business locations for small and medium sized organisations. Furthermore, the Company also continuously enhances the facilities in our branch network with the aim of providing a pleasant and conducive work environment, retaining our brand image through the appropriate interior décor quality, providing customers efficient and convenient services by enhancing safety and security features and using latest equipment and technology, and implementing energy efficient processes. The Company is also constantly in search of better strategic locations for our branches and as such branch relocations are also an integral part of the approach to creating value. The Company also utilises information technology software and services to enhance customer convenience and increase operational efficiencies of Vallibel Finance leading to creating greater value for stakeholders.

Expanding Branch Network

During the year under review Vallibel Finance continued its strategic initiative of opening new branches and increasing the branch network reach to offer greater convenience to our existing customers, and to reach a wider target market and increase our customer base. Pursuing the goal of expanding the regional presence in Sri Lanka, Vallibel Finance opened our first branch in Dambulla. Dambulla was chosen due to its growing importance as an Agri-trading hub as the city is strategically located connecting the highlands to rest of the island. Furthermore, this historic

Dambulla Branch opening

Avissawella Branch opening

city has transformed into a modern trading centre founded on a complex economic matrix which Vallibel Finance is geared to fulfil.

Vallibel Finance opened its latest city branch in the heart of Bambalapitiya in October 2018, as this thriving locale will provide our customers easy access and convenience to obtaining their diverse financial needs. The increasing demand for the Company's financial services by our Colombo-based customers was also a key consideration in opening another branch in Colombo city as it allows Vallibel Finance to reach a larger customer base.

The third new branch was opened in Avissawella in November 2018 as this city is poised for an economic boom with the increasing industrialisation in the area. By opening this branch, Vallibel Finance is poised to create value to its stakeholders by assisting in the growth and development of the region.

Rathnapura Branch relocation

A fourth branch was opened in the town of Narammala on 21st Match 2019 as the agri-based economy of this city has in the recent past evolved into a multi-faceted and thriving economy with the advent of new home-based and small industries and the increasing number of people pursuing professional careers. Vallibel Finance is of the view that our presence in this city will

Bambalapitiya Branch opening

Manufactured Capital

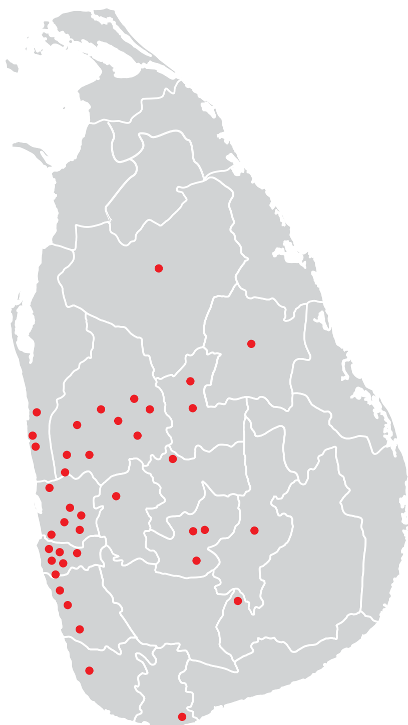
help with furthering economic growth and developing the people and their business ventures..

Aligned to the Company's strategic goal of branch relocations and facility upgrades, focused efforts were made to add value to customers by relocating the Company's Rathnapura branch to a more spacious location on the Main Street to conveniently and efficiently manage our increasing customers in the area and also as part of the Company's continued focused efforts to enhance customer services.

The total cost of establishing these new branches was Rs.49.12 Mn, and the relocation cost of the Rathnapura branch amounted to Rs.10.05 Mn.

Relocation of the Head Office Complex

During 2017/18, Vallibel Finance purchased a prime property in a strategic location in Colombo for the planned future development of a state-of-the-art office complex giving key stakeholders greater convenience by offering more spacious operating areas making our services more efficient as well as value added services such as parking facilities. The 40-perch property was purchased for a consideration of Rs. 1.053 Bn with the building with the objective of developing and expanding our presence in the strategic area of Colombo 03, where the new head office will be relocated to. During the year under review, preliminary re-construction work has been implemented at a cost of Rs. 3.98 Mn.



Geographical Distribution of the Branch Network

	Number of branches
Colombo District	15
Kalutara District	3
Gampaha District	2
Western Province	**20**
Kandy District	1
Mathale District	1
Nuwara Eliya District	1
Central Province	**3**
Rathnapura District	3
Kegalle District	2
Sabaragamuwa Province	**5**
Galle District	2
Matara District	1
Hambanthota District	0
Southern Province	**3**

	Number of branches
Kurunegala District	4
Putlam district	2
North Western Province	**6**
Anuradhapura District	1
Polonnaruwa District	1
North Central Province	**2**
Badulla District	1
Moneragala District	0
Uva Province	**1**
Total Branches	**40**

Year	2012	2013	2014	2015	2016	2017	2018	2019
Number of branches/service centers	10	14	18	23	27	32	36	40

Future Outlook

In the coming year, Vallibel Finance will continue to expand our footprint across the country and increase our customer reach. Our strategy to expand in the Western Province will continue with branches being opened in the city of Colombo and in the town of Horana. The Company also plans to open branches in the Southern and Uva provinces in the towns of Ambalantota and Monaragala respectively. In addition, the Company will also continue with our focused efforts to improve, enhance and relocate branches with the aim of increasing customer convenience and making operations more effective and efficient. Towards this aim, preliminary research is being conducted to expand the Kiribathgoda service centre premises to include another floor in the building currently occupied, while plans for the refurbish of the Kiribathgoda service centre and re-launch with a new look has also been finalised.

Information Technology to Enhance Business Operations

Vallibel Finance uses and incorporates the latest information technology innovations within our business processes and products and services to offer our customer enhanced and efficient convenience, provide the Company with a competitive edge in the market and remain at the forefront of competition. Information technology also helps the management to run the business more efficiently with operations and processes becoming more streamlined. This enables faster generation of management and strategic level reports and assists the Company's leaders to make strategic decisions faster to maintain our competitive foothold within the dynamically changing market place.

Creating Value through Information Technology Use

Over the years Vallibel Finance has made strategic investment to create value to stakeholder using information technology. Key milestones achieved are shown below.

The Data Centre
The on-premise data center hosts all Information Technology (IT) business applications and other supporting infrastructure. The data center is equipped with physical controls such as a CCTV surveillance system, finger print security mechanism and an Environment Monitoring System (EMS). All mission critical networking equipment such as firewalls and core switches are also placed inside the data center as per industry best practices.
Online Branch Network System
The branch network consists of forty locations extending its services to different regions of the country. Each branch is connected to the Data Centre which is located at the Head Office through a virtual private network (IPVPN) obtained from Sri Lanka Telecom (SLT). As a result of this online connectivity, all IT services and applications available to Head Office employees is also available to branch employees.
Core Application with Integrated General Ledger Module
Having an integrated General Ledger (GL) with the core application provides several functional benefits as financial transactions can seamlessly be posted to the GL, and real-time financial statements can be generated to make informed decisions regarding investments and other operational aspects of the business.
Disaster Recovery Site
A Disaster Recovery Site was set up in Maharagama to ensure continuity of business operations should an adverse incident take place at the Company's Head Office thus disrupting use of the premises to carry on business activities.
SLIPS Transactions with Lanka Clear
The Company has entered into an agreement with Lanka Clear to become a secondary participant in the Sri Lanka Interbank Payment System (SLIPS) for the benefit of our customers.
Human Resource Management (HRM) System
The Company implemented an HRM system developed by hSenid Business Solutions (Pvt) Ltd which helps to automated human resources systems to manage the human resources activities of the Company in a more effective and efficient manner.

Manufactured Capital

Document Management System (DMS)

Acquisition of the ultramodern DMS has provided many benefits to several key stakeholders of the Company, and to Vallibel Finance. End users (employees) can retrieve scanned documents from the system to save time. Customer queries can be attended much faster since the physical movements to the file room is reduced when accessing relevant documents using the system. Vallibel Finance saves costs by reducing the space required to store files and maintain a large file room.

Management Information System (MIS)

The MIS platform provides customised data structures of the core application database used by the Company as the development was done in-house by internal software engineers who have an in-depth understanding of the Company operational procedures and the needs of the management. Hence, the MIS needs of the management is fulfilled in an effective, efficient and timely manner as the business logic is easily accessible to the MIS team.

Key projects carried out by IT during the year under review

Investment in Information Technology

As part of the Company's continued investments in information technology, the following enhancements and addition to the Vallibel Finance information technology infrastructure and processes was carried out during the year under the review.

Implementation of a Virtual Data Center

The Company implemented a fully virtualized Data Center to enhance the resilience of the existing data center thereby increasing availability of business applications by reducing systems downtime and by eliminating single point of failures. The implementation also helped to increase systems capacity through the inherent load balancing and on-demand resource scheduling capabilities making the system ready for future predicted increased demand.

Improving the Capabilities of the Disaster Recovery (DR) Site

The Company's continued efforts to ensure safety and security of customer information and provide undisrupted services in case of emergency situations resulted in an implementation of all mission critical systems at the DR site together with data replication systems for all mission critical systems between the primary site instance and DR site instance. This has helped to reduce both the Recovery Point Objective (RPO) and the Recovery Time Objective (RTO) thereby strengthening the Business Continuity Plan (BCP) readiness and execution of Vallibel Finance.

Implementation of Enterprise Grade Backup and Recovery Solution

During the year under review, Vallibel Finance implemented data retention policies to prevent losing important data by setting-up an Enterprise Grade Backup and Recovery Solution to be used as a contingency/fallback option to restore mission critical systems/applications in case of emergency situations.

Upgrade of Security Systems

The Company invested in upgrading existing security infrastructure by implementing the most current and world-renowned security systems and technologies to safeguard the business and business information systems from theft and/or hacking. During the year under review security upgrades were carried out for the firewall systems, applications, and end-point systems and many features of cyber security were also enhanced for the protection of systems, information and people.

Revamping the Corporate Website

An area of focus for Vallibel Finance during the year under review was to leverage information technology to enhance customer service experience and offer greater convenience to our customers. Accordingly, the Company revamped the corporate website making it more efficient and also designing it to operate effectively on smart phones and other handheld digital devices. The website now also has enhanced features and information such as comprehensive product details, a branch locator, links to the Company's social media pages, a dedicated HR portal, and latest news and developments regarding the Company. With these added features, the Vallibel Finance website is now able to cater to the needs of a larger number of stakeholder groups thereby creating added value in terms of availability of information and convenience to stakeholders.

Social Media Presence

As part of the Company's efforts to enhance marketing activities and to reach today's customers on digital platforms on which they are most present and available, Vallibel Finance overhauled its Facebook page and added to the Company's social media presence. During the year Vallibel Finance developed a presence on Instagram, LinkedIn, Twitter, and YouTube and revamped to offer customers information about the Company as well as advertise new product offerings and seasonal promotions. The presence on YouTube will enable the Company to showcase the range of Commercials and dedicated documentaries for the digitally inclined consumers of today.

Improved Marketing Activities using Digital Technology

Using existing digital social media platforms and websites such as Facebook and www.ikman.lk, Vallibel Finance increased its digital marketing presence during the year under review which resulted in reaching a wider consumer base and increasing the value to stakeholders.

Future Outlook

The Company foresees growing importance in our digital presence to reach target consumers with greater effectiveness and additional resources will be deployed to digital marketing activities to reach and create optimal value to stakeholders. Accordingly, the Company plans to launch an SMS-based marketing campaign in the coming year to align with key consumer market trends with preliminary requirements for launch well underway.

Furthering the Company's focus on customer conveniences and, enhancing quality of services leading to increased business volumes has resulted in the decision set-up a 24 x 7 call centre which will be operated in Colombo and will act as a hotline for customer relationship management. This system's key focus area will be on marketing and promoting our products and handling customer complaints.

With the introduction of the national payment gateway known as Common Electronic Fund Transfer Switch (CEFTS), for real-time fund transfers from one account to another account, the Company plans to implement the CEFTS system for use by our customers in the coming year.

The above strategies will enable the Company to compete in the changing operating environment which is being driven by changes in consumer interactions due to technological innovations being driven by the global disruption of information technology making inroads in the Sri Lankan financial services industry.

Challenges Faced and Actions Taken

In creating value to manufactured capital the Company's key challenges are costs, integrity and confidentiality of information, finding the 'right' locations for branches and the resistance to change from key stakeholders, especially customers. Vallibel Finance has identified action which can be implemented towards overcoming these challenges including;

- Optimising the allocation of resources, to maintain costs at acceptable levels when undertaking branch expansion, upgrades and relocations.
- Regularly reviewing and upgrading information security systems and developments in the external environment.
- Introducing user-friendly technologies and encouraging customers to adopt convenience IT systems for their interaction with the Company through promotions and training is required.
- Recruiting people with local knowledge, evaluations of market trends, research on market opportunities and screening of different locations will help the Company reduce obstacles in finding the 'right fit' locations for geographic expansions.

Intellectual CAPITAL

> *Vallibel Finance's intellectual capital value supports the Company's reputation as a leading Sri Lankan Finance Company.*

Overview

The Vallibel Finance intellectual capital consists of our brand, credit rating, culture, governance structures, leadership styles, collective knowledge, robust systems and processes and also innovative strength. These aspects set the Company apart from

Strategic Goals

1

Strengthening the Vallibel Finance brand year-on-year

Achievement 2018/2019

- Brand Finance Sri Lanka upgraded rating to A+ as one of Sri Lanka's Most Valuable Consumer Brands of 2019
- According to Brand Finance Sri Lanka Vallibel Finance's brand value increased by108% to Rs. 1,300 Mn in 2019
- Rose 12 places to be ranked at number 60 in the 100 Most Valuable Brands in Sri Lanka 2019 as reported by the LMD

2

Improving or maintaining the Company's credit rating year-on-year

Achievement 2018/2019

- ICRA Lanka Limited re-affirmed the credit rating of Vallibel Finance at [SL] BBB with stable outlook

3

Nurturing a knowledge culture

Achievement 2018/2019

- The leadership team has over ten years of combined experience in a range of professions and industries
- 556 employees given training and development
- 320 new recruits who being in new ideas to enrich tacit knowledge

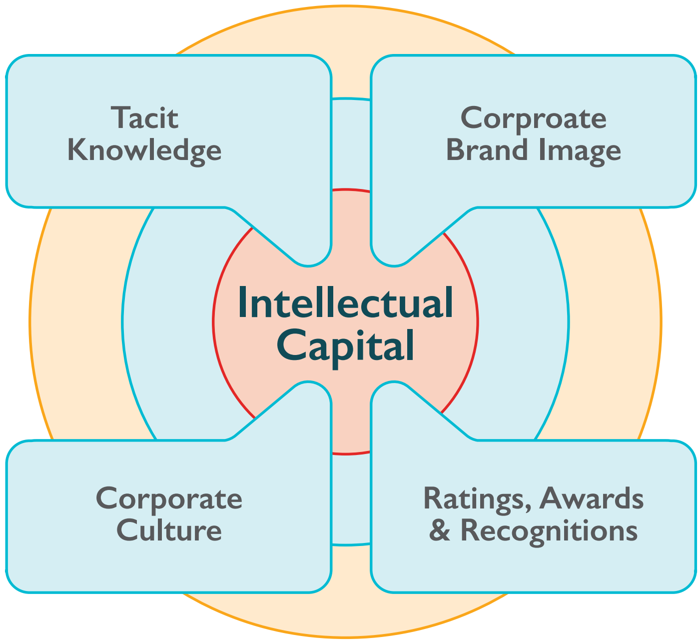
competitors enabling us to consistently meet expectations of our stakeholders. Thus, it is not surprising that the Vallibel Finance's intellectual capital value supports the Company's reputation as a leading Sri Lankan Finance Company.

Intellectual capital elements of Vallibel Finance create value to stakeholders as it enables the Company to build inherent knowledge and knowhow and create a greater market awareness of the corporate brand thereby enabling to strengthen existing market position, capture new target markets which helps achieve future growth of the Company. Ratings and recognitions also assist Vallibel Finance to increase respectability and standing within the business community of Sri Lanka by easing the way to build a sustainable business to benefit our customers in the long term while also aiding business growth and productivity.

Management Approach

The Company approaches the management of intellectual capital by maintaining a reputation that is held in esteem by undertaking ethical and transparent business practices coupled with employing experts and those with current market and financial services product knowledge thereby increasing internal knowledge and knowhow and enabling year-on-year business growth. Further, Vallibel Finance operates the business by integrating high levels of corporate governance practices and current business practices within our overarching corporate strategy which also enables the creation of intellectual capital value to our stakeholders.

Key Elements of Intellectual Capital



Tacit Knowledge

Tacit knowledge is derived by the knowledge and knowhow of the skilled and experienced people of the Company and the processes and procedures followed and enhanced year-on-year to improve the effectiveness and efficiency of business operations. The Company's employees are highly skilled, and our procedures ensure that those employed have relevant experience and possess the required qualifications to drive business goals and strategies. Many of the Company's new recruits are of a generation which thrives on learning and knowledge enhancement. Hence, the many have completed their tertiary education and are holders of professional and/or degree level qualifications, while others are pursuing the achievement of their educational aspirations while simultaneously receiving work experience. Further, as Vallibel Finance employs a mix of experienced and newly graduated people, the Company is well poised to benefit from the industrial and fields experience of veteran employees such as our senior management team and obtain the skills and knowledge of new graduates who bring the newest and latest business practices to the Company's business operations. Over the Company's short span of 12 years, the rapid growth and success can be partly attributed to the amalgamation of company developed systems and processes and the knowledge and knowhow provided by our employees. To strengthen the base of

Intellectual Capital

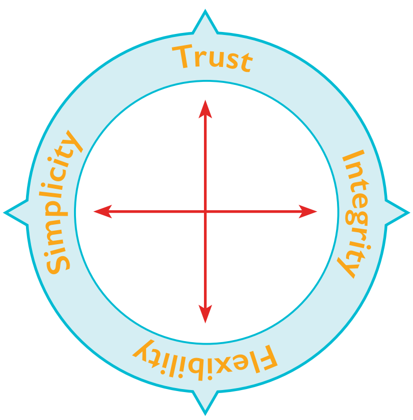
the Company's tacit knowledge, majority of the Company's leadership team have been with Vallibel Finance from inception and are able to provide success stories and best practices which has driven the Company's growth to date.

Corporate Culture

The Vallibel Finance corporate culture is derived from the Company's vision, mission, values, governance framework, leadership structure and corporate hierarchy, and our approach to risk management. By applying the values of simplicity, trust, integrity and flexibility, the Company is well-poised to work as one team in an ethical and transparent manner to create value to stakeholders. Simplicity ensures that the Company's processes are simple yet provide the best in speed and quality, Trust helps the Company to develop and maintain long term relationships with stakeholders, Integrity ensures honesty in all we do by everyone who is a part of the Company, while Flexibility allows us to meet the needs of our stakeholders while still adhering to internal controls and procedures.

The Company's corporate governance framework adds to our corporate values by ensuring business activities comply with the rules and regulations as required by a company which is listed and operating in the financial services sector, while acceptable and ethical business conduct and increased transparency of business activities are further strengthened. The proactive approach to risk management has become integral to business strategies thereby ensuring that all employees consider risk of business activities in a proactive manner.

Corporate Values



Building Corporate Brand Image

Vallibel Finance is a young company with only 12 years of solid operational experience. However, the Company's drive to succeed and pursue our vision of being the name trusted by Sri Lanka has ensured that we have achieved much in this short time span. Testament to our success is our credit rating, brand presence and recognition across the country and the robust relationships built with our multiple stakeholders. Our strong leadership team and the efforts of our employees have all contributed to build a singular brand which is trusted as offering innovative, customised and flexible financial solutions to consumers.

Brand Recognition

Vallibel Finance continues our journey of building brand value and reputation year-on-year to strengthen our market presence and create value to all our stakeholders.

During the year under review, Vallibel Finance was once again felicitated by Brand Finance Sri Lanka who upgraded the Company's brand rating to A+. A key contribution to this upgraded brand rating was the Company financial and business performance. According to Brand Finance Sri Lanka, Vallibel Finance recorded a brand growth rate of 108% during 2019 which is also the second highest brand value growth rate for the year. Thus, the Vallibel Finance brand value in 2019 increased to Rs. 1,300 Mn compared to Rs. 625 Mn recorded in 2018.

Lanka Monthly Digest (LMD) a leading business magazine in Sri Lanka declared Vallibel Finance as the 'Most Respected Finance Company in 2017, which too helped establish a market reputation to enable achievement of business goals. Further, in LMD's annual publication of 100 Most Valuable brands in Sri Lanka 2019, Vallibel Finance ranking has increased to 60thplace compared to the 71st ranking achieved in 2018.

The Company believes that our aim to increase our presence across the island, together with our promotional activities and quality and reliability of our service have been the key driving factors to boosting positive brand awareness amongst our target markets and those people in needs of financial services in the country.

Credit Rating

Vallibel Finance continues to enjoy the credit issuer rating of [SL] BBB with a stable outlook which was re-affirmed by ICRA Lanka, a group company of Moody's Investors in April 2019. At the same time ICRA Lanka also and re-affirmed the issue rating of [SL] AA-(SO) with stable outlook for the LKR 1,000 Mn guaranteed, subordinated, redeemable debenture programme. However, the LKR 500 Mn unsecured, subordinated, redeemable debenture programme to [SL] BBB- (Pronounced SL triple B minus) was withdrawn by ICRA Lanka at the request of the Company, as the instrument was repaid fully on maturity in February 2019.

Recognitions Received in 2018/19

Reiterating Vallibel Finance's continuing presence as a leading financial services company in the country, the Company was recognised by both global and local organisations for our achievements.

- The International Chamber of Commerce Sri Lanka listed Vallibel Finance among the top 20 most admired companies in Sri Lanka in 2018
- Global Finance and Banking Review, a United Kingdom based magazine, awarded Vallibel Finance with the title of the 'Fastest Growing Auto Finance Company in Sri Lanka' for the second consecutive year in 2018.
- Global Finance and Banking Review also recognised Vallibel Finance as the 'Best Leasing Customer Service Company in Sri Lanka in their 2018 rankings.
- Vallibel Finance was also recognised as being among the fastest companies in Sri Lanka to cross the rupees one billion in profits.

The continued credit ratings and recognitions received by the Vallibel Finance provide a strong foothold to operate at optimal business levels enabling the year-on-year creation of stakeholder value.

Awards and accolades bestowed on Vallibel Finance

Year		Award
2016	1.	Among Sri Lanka's Best Employer Brand - Best Employer Brand Awards 2016
2017	2.	Vallibel Auto Draft Product - Most Innovative Finance Product Sri Lanka- Global Banking & Finance Review Awards – 2017
	3.	Fastest Growing Auto Financing Company Sri Lanka- Global Banking & Finance Review Awards – 2017
	4.	22nd in the Top 10 Most Respected Entitles in Sri Lanka – LMD 2017
2018	5.	Among Top 20 Most Admired Companies of Sri Lanka 2018 - International Chamber of Commerce Sri Lanka & CIMA Sri Lanka
	6.	Fastest Growing Auto Financing Company Sri Lanka- Global Banking & Finance Review Awards – 2018
	7.	Best Leasing Customer Service company in Sri Lanka - Global Banking & Finance Review Awards – 2018
2019	8.	Certified as a Great Place to Work in Sri Lanka - Great Place Research & Consultancy (PVT) Ltd.

Among Top 20 Most Admired Companies in Sri Lanka

ICC-2018

Future Outlook

To ensure that our employees are always updated and up to date regarding industry developments and developments in their chosen professions, Vallibel Finance will continue to provide training and development programs in the coming year. Further, the Company will continue to focus efforts on maintaining and managing our corporate reputation by enhancing our ethical and transparent business practices to align not only with regulations but also voluntary practices. We believe that continuing on the path that we have thus far, will continue to yield rewards assist in the creation of value to stakeholders.

Challenges Faced and Actions Taken

In creating intellectual capital for our stakeholders, challenges abound in terms of brand reputation and the retention of tacit knowledge.

Retention of our tacit knowledge has been a key challenge given the intensive nature of our competitive environment. The Company attributed much of our success to the knowledge and expertise of our employees who are the heart of our business. To ensure that we do not lose our valuable people to our competitors, we remain proactive in our efforts to motivate employees and engage with them regularly, while encouraging them to take ownership of the Company's future prosperity and growth.

Sustaining the brand also continues to be a challenge in the dynamic operating environment. The Company's focus driven efforts to continue to build a trustworthy brand by conducting our operations by adopting the highest ethical standards and in full compliance with all applicable regulations in the Non-Banking Financial Sector together with our efforts to adopt voluntary best practices for business operations and reporting has enabled us to achieve successful intellectual capital growth over the years.

Human CAPITAL

Strategic Goals

1

Attracting and retaining the best skilled employees in all areas of business operations.

Achievement 2018/2019

- **603** employees retained
- **320** new recruits employed

2

Continued training and development of employees

Achievement 2018/2019

- **70** internal trainings programs
- **40** external trainings programs

3

Rewarding employees based on performance

Achievement 2018/2019

- **228** employees were promoted to align with their career aspirations.
- Employees were rewarded and recognised for their individual and/or collective achievements in the workplace.

4

Encourage employee engagement and work-life balance

Achievement 2018/2019

- A range of events and programmes organised to build camaraderie and friendships

> *"Our employees are the Company's most valuable stakeholder and the source of strength which propels achievement of Vallibel Finance business success and growth."*

Overview

For Vallibel Finance PLC human capital translates to our loyal and dedicated employees. Our employees are the Company's most valuable stakeholder and the source of strength which propels achievement of Vallibel Finance business success and growth. As at 31st March 2019, our employee base grew by 9% to 923 people.

Vallibel Finance creates value to our key stakeholder - employees, in terms of training and development, career development, succession planning and ensuring their health and well-being by focusing on a balanced work-life management.

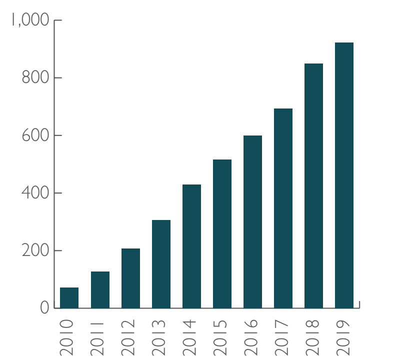
Testament to the Company's efforts to create human capital value is the recognition received by Great Place to Work® Sri Lanka in April 2019 which recognises employers of choice thereby advocating an organisation to pursue the creation of a sustainable workplace.

Management Approach

The Company's employees have acted as a partner over the 12 years of successful business operations and are an integral part of the fabric of the Company. Accordingly, the management focuses on supporting their growth and well-being by setting strategies and processes which enable them to build careers with Vallibel Finance and enhance their personal and professional development goals.

The Company's leadership believes in the right of every employee and fosters a culture where employees are freely able to express their opinions and give input to improve operations processes of the business. Employees are also encouraged to take on responsibilities and are empowered to work with minimal supervision. Child labour is an aspect that is completely banned. Employees of the Company are expected to work as a team and are encouraged to share knowledge and experience as a means of team learning. Training and development programmes for employees are arranged on a need basis on identification of skill/ knowledge gap areas, and in instances when new developments occur in their relevant field of expertise The Company practices equal opportunity employment and does not discriminate based on caste, gender or ethnicities.

To ensure that all employees are aware of and have information about the Company's Human Resource policies, processes and procedures, Vallibel Finance has developed an Employee Handbook with all relevant details which is shared with employees upon recruitment. This Handbook acts as the guiding principles for Human Resources practices and helps employees to act and conduct themselves to the highest standards of ethical and morally acceptable behaviour which reflects positively on the Vallibel Finance reputation and brand image.

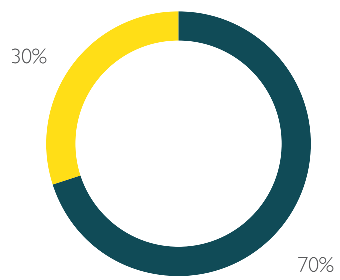


EMPLOYMENT GROWTH OVER THE YEARS

No. of Employees

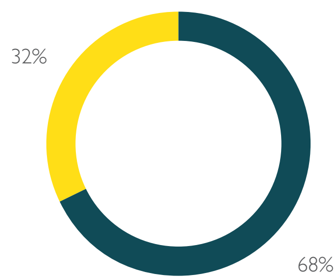
Human Capital

Majority of the Company's workforce is comprised of millennials and Generation Y individuals, as indicated by 81% of people falling within the age categories of 18 to 24 years and 24 to 34 years. This reflects well on the Company's ability to successfully pursue its strategic goals in the coming years as this younger generation of employees are well-versed in today's technology driven operations, are adaptive to fast change and bring a fresh perspective to business operations.



TOTAL EMPLOYEE BASE BY GENDER AS AT 31ST MARCH 2018

Male Female



TOTAL EMPLOYEE BASE BY GENDER AS AT 31ST MARCH 2019

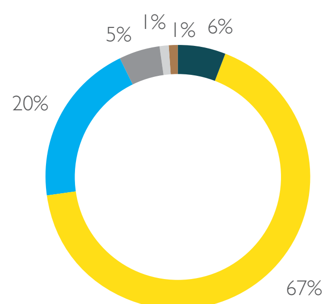
Male Female

Employees by Employment Category as at 31st March 2019

Employment Category	Total
Senior Management	16
Middle Management	120
Senior Executive	43
Executive/Junior Executive	301
Operational Staff	405
Clerical Staff	35
Minor Staff	2
In-plant Trainees	1
Total	923

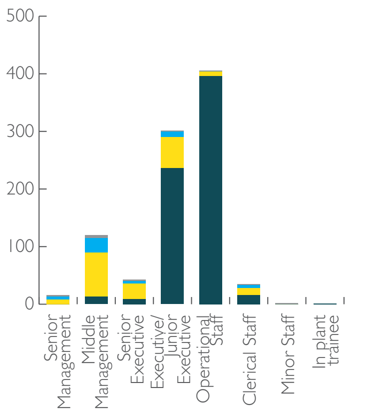
Employee Gender Categorisation by Region as at 31st March 2019

Region/Province	Male	Female	Total
Central	26	10	36
North Central	20	5	25
North Western	50	19	69
Sabaragamuwa	54	16	70
Southern	28	10	38
Uva	7	5	12
Western	443	230	673
Total	628	295	923



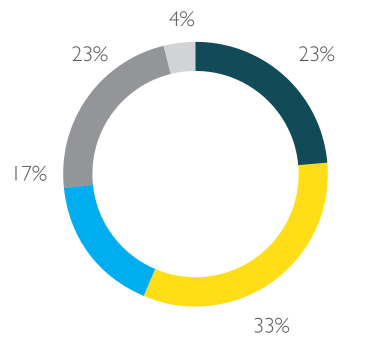
AGE DEMOGRAPHICS

Below 21 22-30 years 31-40 years 41-50 years 51-60 years Above 60



TOTAL EMPLOYEES BY AGE GROUP AND CATEGORY AS AT 31ST MARCH 2019

Below 30 years *30-40 years* *40-50 years* *Above 50 years*



EMPLOYEES BY YEARS OF SERVICE 2019

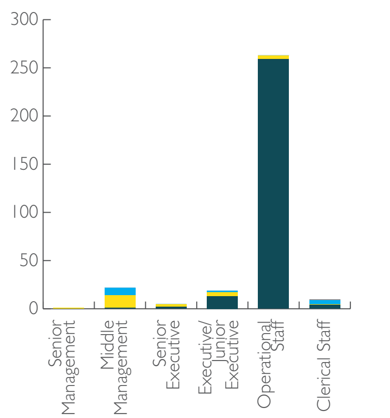
0 to 1 year *1 to 3 years* *3 to 5 years* *5 to 10 years* *10+ years*

Employee Turnover by Region and Gender for the Financial Year 2018/19

Region	Male	Female	Total
Central	11	1	12
North Central	6	2	8
North Western	15	2	17
Sabaragamuwa	11	5	16
Southern	9	2	11
Uva	3	-	3
Western	136	43	179
Total	191	55	246

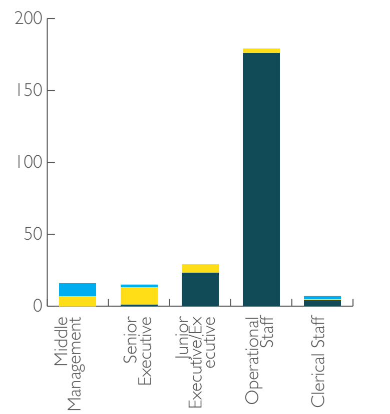
New Recruits by Region and Gender 2018/19

Region	Male	Female	Total
Central	7	-	7
North Central	3	1	4
North Western	11	4	15
Sabaragamuwa	8	5	13
Southern	10	2	12
Uva	1	0	1
Western	188	80	268
Total	225	95	320



NEW EMPLOYEE HIRED BY AGE AND EMPLOYEE CATEGORY 2018/2019

Below 30 years *30-40 years* *40-50 years* *Above 50 years*



EMPLOYEE TURNOVER BY AGE AND EMPLOYEE CATEGORY 2018/19

Below 30 years *30-40 years* *40-50 years* *Above 50 years*

Human Capital

Key Training Areas and Number of employees participated

Area of training	Number of employees participated
Employee motivation	381
Performance oriented training	79
Legal and regulatory framework	6
Character building	201
Customer Relationship Management	257
Life skills	122
Organizational skills	81
Personal Grooming	137
Communication skill development	53
Leadership	204
Marketing and branding	159
Orientation	320

Recruitment and Onboarding

Vallibel Finance has in place policies and procedures to ensure that recruitments and on-boarding of employees follow a standardised process to ensure non-discrimination and provide a level playing field for all prospective employees. The Company is recognised favourably by the job market and offers both newly qualified and experienced employees many opportunities to build and grow their chosen careers. As an employer whose goal is to retain and attract employees of the highest calibre for all aspects of business operations, this market sentiment is aligned to creating value for Human Capital.

Managing Director addressing the managers

External Training Program conducted by Mohan Palliyaguru, Certified Trainer and Motivational Speaker

Manager promotions

The Company also has in place a detailed policy for the on-boarding process which ensures the initial selection process screens candidates on their suitability for the job roles and the position within the Company before proceeding to the first and second interview stages. Only on being given the approval at these stages does the candidate then move to the final interview with the Managing Director before being offered an employment contract on approval. It is the Vallibel Finance way to ensure that all candidates who have applied for jobs with the Company are acknowledged and given a clear indication of their status in the selection process.

As per policy all new recruits are subject to a period of probation and on successful completion of this period are absorbed onto the permanent employee cadre of the Company. During the year under review the Company recruited a total of 320 employees mainly due to employee replacement and partly as a result of expansion of business activities, thereby creating more jobs for the country's growing employable population.

The Company also experiences employee turnover which is considered a natural part of doing business. Most often resignations are due to pursuing of higher educational goals, migration, to join other organisations, and other personal reasons as well as retirement. However, over the years the Company has maintained a relatively high recruitment rate for new employees compared to the Company's turnover rate.

Training and Development

Training and development identified as a long-term strategic goal for the creation of Human Capital value. The Company believes that career progression in the form of promotions is a key method to challenge our employees professionally while helping them to upskill their knowledge and know-how and grow to achieve greatness through career success. As such employees are provided with job specific trainings conducted by external trainers which helps them to obtain promotions and personal growth which in the longer term contributes to the Company's success. To date, 40 employees who joined Vallibel Finance at entry level positions have today climbed the corporate ladder to achieve career success and growth. As part of the Company's ongoing goals for training and development initiatives for employees, 35 external training programmes were organised and executed during the year under review. These programs ranged from motivational, technical and professional skills development to soft skills development workshops and one-day specialist training programmes. 70 internal training programmes were arranged for Credit, Marketing and administrative officers and Middle Management to help them to better service customers and develop personal skills. These training programmes were focused on subjects such as credit, performance achievement, customer relations, legal and regulatory framework, human resources and Information Technology. Soft skills trainings were conducted to improve employees' leadership skills, character building, time management and communication skills.

Compensation and Rewards

Vallibel Finance practices equal opportunity employment and reward employees solely based on their category of employment, and their skills and experience levels. Accordingly, the Company recognises that in addition to the compensation based on basic salary, both monetary and non-monetary reward schemes play a critical role in retaining skilled employees and maintaining their motivational levels while at work. Thus, Vallibel Finance has developed a rewards and remuneration system which consists of a salary component as well as the monetary and non-monetary rewards. Monetary rewards consist of monthly salary, over-time payments, bonuses, other allowances based on employee category as well as EPF, ETF and gratuity payments to employees.

The Company ensures that in rewarding and compensating employees, relevant Sri Lankan laws and regulations are followed and adhered to without compromise. Thus, the Company contributes 12% to EPF and 3% to ETF while employees contribute 8% to EPF which is deducted from their monthly salaries. In addition, Vallibel Finance also makes gratuity payments to employees who have completed five years or more of service with the Company on their resignation or retirement, at the predetermined levels regulated by laws. Maternity leave is also offered to all female employees in accordance with the provisions in the Shop and Office Employees Act.

In addition, to compensation and benefits prescribed by regulations, Vallibel Finance

Human Capital

provides employees with a range of compensation and benefits aligned to the Company's benefits and welfare schemes including foreign tours for long serving employees and top performers from the marketing and support functions.

Employee Benefits	2018/2019 (Rs. '000)	2017/2018 (Rs. '000)
Salary and Bonus	745,085	608,586
Retirement Benefit Costs	17,490	11,590
Employer's contribution to Employee's Provident Fund	57,027	45,644
Employer's contribution to Employee's Trust Fund	14,090	11,249
Staff Welfare Expenses	73,150	55,651
Total	906,842	732,720

Maternity Leave for the Financial Year 2018/19

Of the total 299 female employees, 12 applied for and took their applicable maternity leave for the year under review. From these 12 employees, seven returned to work after completing their maternity leave period. This shows that employees find the culture and flexibility given to them at Vallibel Finance conducive to managing both family duties and work-related responsibilities.

Employee Engagement

During the year under review the Company organised many events for employees as part of our long-term goal to maintain work-life balance and encourage employee engagement outside of the workplace. Such events give an opportunity for employees to develop personal friendships with colleagues thereby increasing understanding and enabling the building of teams with greater trust amongst members. Some engagement events are also directed at acknowledging achievements of employees and to commemorate their long service with Vallibel Finance.

Highlights of Key Employee Engagement Events

Vallibel Finance Annual Get-Together was a combined celebration of the 11th Anniversary of the Company and the annual gathering of the Company's employees. The event took place on 9th June 2018 at the Water's Edge Hotel and was attended by all employees.

Long Service Awards is an important employee engagement and motivation programme which the Company has enacted in the last few years. A token of appreciation was given to 13 employees who completed 10 years of service with the Company during the year

Mr. Dhammika Perera addressing the staff at the Annual Get Together held at Water's Edge under review at the Annual Get-Together which was held on 9th June 2018.

Department Trips are an annual activity which allows employees from the different departments of Vallibel Finance to engage with fellow team mates and build mutually beneficial relationships which help with carrying put work as a team. Employees of the Fixed Deposit Department and the Human Resource Department organised a day trip at the Arie Lagoon Hotel, Negombo in August 2018. The Finance Department organised a day trip to Rivonve Leisure Resort, Eheliyagoda in September 2018. The Recovery Department got together at the Citrine River Residence, Belihuloya on February 2019 for their annual day-out department trip. Branch staff members also organized trips among the branches.

Half Year Business Review 2018/2019 was held at Cinnamon Lakeside Hotel in Colombo on 5th October 2018 which provided an opportunity for all managers to discuss achievements of the Company in the first six months of financial year 2018/19 and celebrate the high achievement of results.

Annual Business Review 2018/2019 which is the year-end business day-long review meeting and commemoration was held on 5th April 2019 at the Galle Face Hotel in Colombo where all Managers from the head office and the branches are able to celebrate each other's achievements. Traditionally, top performing branches are also awarded for their achievements for the financial year under review at this event.

Annual Get together at Water's Edge, Colombo

Half-Year Business Review session held at Cinnamon Lakeside, Colombo

Annual Business Review session held at Galle Face Hotel, Colombo

Human Capital

Sporting Activities are encouraged by the Company as it helps create team spirit and enables employees to bond with fellow colleagues and learn to trust them. During the year under review the finance and HR Departments participated in a friendly cricket tournament held on 17thFebruary 2019 at the Angampitiya ground in Sri Jayawardhanapura, Kotte. The Managers of the Head Office and all branches got together to have another cricket tournament which was held in the Moragasmulla Cricket grounds. All employees of the Gold Loan department of all branches teamed up to have a cricket encounter as well.

Gold Loan Department - Cricket Tournament

Branch Enabled Customer Gatherings are a tradition at Vallibel Finance. For the year under review, the Borella branch and the service centre in Moratuwa organised events for their customers, senior managers and branch employees to celebrate their respective 3rd and 5th anniversaries and to celebrate their achievements and growth over the years.

Religious Observances such as the Pirith Ceremony was held in March 2019 at the head office to mark the 12th anniversary of Vallibel Finance with the participation of all employees.

Get together organized by Moratuwa Service Centre

Pirith ceremony held at the Head Office to mark the 12th anniversary

Get together organized by Borella Branch

Technology-driven initiatives for Engaging with Employees

As part of the Company's on-going efforts to improve employee motivation and engagement, during the year under review, Vallibel Finance created product-wise WhatsApp groups which are aimed at instant sharing of updates regarding the product and also enabling the marketing team for the product to easily obtain information and important messages.

Future Outlook

The Company foresees that attracting and retaining talent will play an important part in creating human capital value. It is our aim to attract a specific type of person who will complement the Vallibel Business mission and values whilst enabling the achievement of our goals and objectives. Training and development will continue to be a focused area where increased resources will be deployed to increase employees' subject matter knowledge and improve their personal soft skills. Engagement and work-life balance is also going to be a focus area in the coming year as Vallibel Finance is determined that our employees balance their work with their personal lives while promoting efficient and effective workplace practices.

Challenges Faced and Actions Taken

In creating value to human capital, the Company's key challenges remain employee retention, employees' willingness to engage with each other and the increasing number of Gen Y and millennials who are now part of the workforce. These younger generational employees are our biggest concern as they are our least engaged employees and retaining them in the longer-term requires exceptional and extra-ordinary measures.

To overcome these challenges, Vallibel Finance will focus on our identified goals which will help us recognise the best and most suitable talent for the Company's business needs. These employees will then be trained and developed and provided mentoring to enable them to realise their personal goals and raise the bar of their performance whilst promoting them to achieve their career aspirations. Further, compensation, rewards and recognition schemes will be carefully evaluated and amended to meet the needs of these employees.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Social and Relationship CAPITAL

> *Vallibel Finance creates social and relationship capital value by focusing on meeting the needs of our customers, business partners and the community at large.*

Overview

Social and relations capital of the Company consists of the relationships built over the years with our customers, business partners and the community in the course of business operations. Vallibel Finance creates social and relationship capital value by focusing on meeting the needs of our customers, business partners and the community at large. The Company is aware that financial performance and business growth are dependent on our ability to sustain strong relationships with these external stakeholders and hence, we create an operating climate which enables meeting these stakeholders' expectations in the long term.

Strategic Goals

1

Enhancing customer value and experience

Achievement 2018/2019

- **Rs. 26.39 Bn** disbursed, an increase of **21.84%** compared to last year.
- **Rs. 25.43 Bn** deposit base with

  Rs. 2.99 Bn paid as interest.
- Increasing customer base:

  Lending customers - **57,147**

  Deposit customers - **13,234**

2

Enhancing relationship with business partners

Achievement 2018/2019

- **Rs. 1.36 Bn** interest paid to financial service providers.
- **Rs. 683.45 Mn** as payments to business partners.

3

Contributing towards community development projects

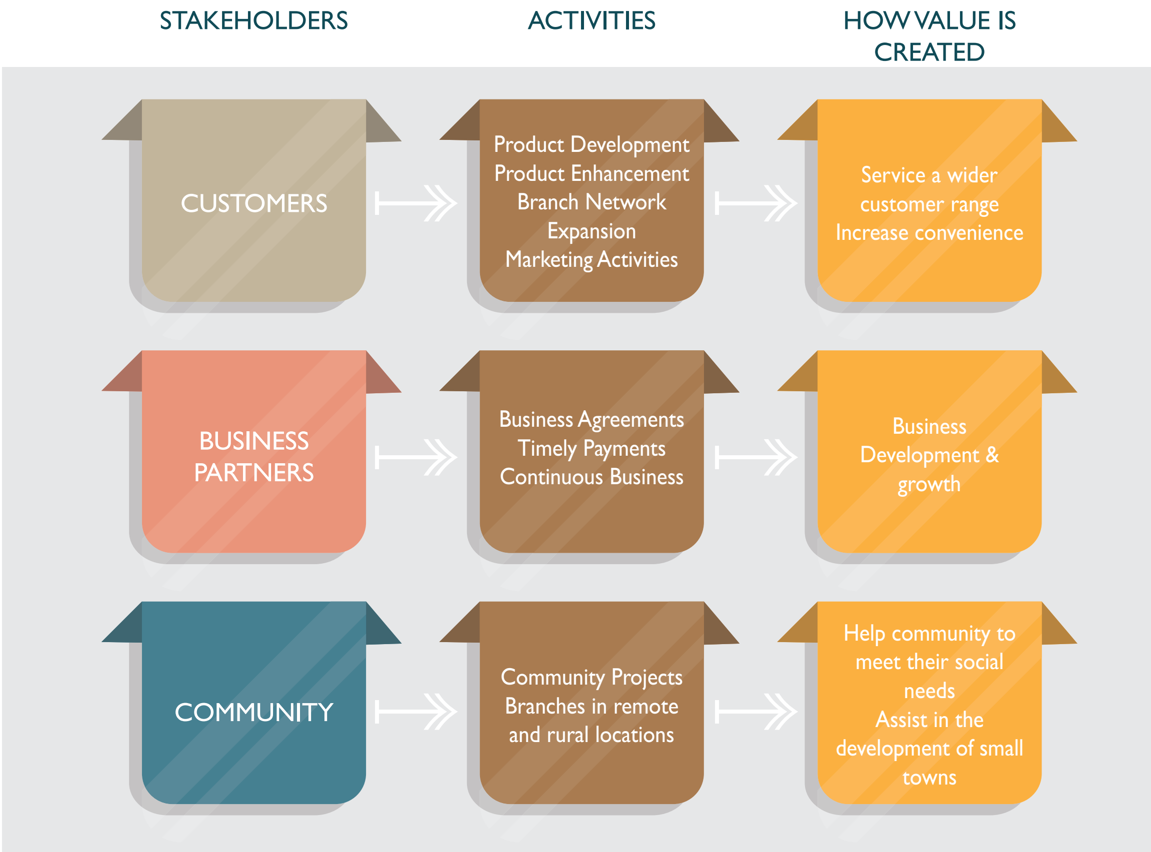
Achievement 2018/2019

- Engaged in eight community development projects with an investment of

Rs. 7.91 Mn

Social and Relationship Capital

The Vallibel Approach to Creating Value for Stakeholders



Management Approach

Vallibel Finance's social and relationship capital is geared toward enhancing stakeholder confidence in the Company by integrating business operations with stakeholder expectations and needs. How the Company interacts with our stakeholders is elaborated in the Stakeholder Engagement section on pages 28 to 29 of this report. Over the years Vallibel Finance has operated on the premise of building trust amongst external stakeholder groups; and business activities such as new product developments, products enhancements, branch expansions are undertaken keeping at the forefront the needs of customers and their expectations in terms of convenience and efficiency of meeting required needs. Ancillary business activities such as extensive marketing and communications campaigns and community development projects are also integrated within business operations to provide added value to the wider community and ensure information is available to current and prospective customers. The Company also ensures the community within which we operate our business is directly or indirectly benefitted by the Company's pursuit of business growth, and our business partners' needs for timely settlement of payments and continued business is met. In addition, the Company's efforts towards upholding transparent and ethical business practices meet the needs of the government, regulators and shareholders. Overall, these practices help Vallibel Finance to create value within our social and relationship capital framework.

By adopting state-of the-art systems and continuously reviewing and updating business processes and procedures, Vallibel Finance thrives on operating an efficient and effective business as proven by the Company's achievements over the years. As part of this process, the Company has in place a system whereby reviews and research is undertaken to develop new products and service methods to meet customer needs. Developments changing trends in the external operating environment are also reviewed constantly to meet the expectations of the community and other external stakeholders. These processes enable Vallibel Finance to create and enhance value to all stakeholders of the Company. The Company's corporate strategies are developed to meet these expectations in the most effective and efficient manner, while ensuring optimal resource utilisation and the maintenance of good business practices.

Customers

As a key stakeholder of the Company, value is created to customers through product enhancement and development, market development and penetration, target marketing and applying current trends in marketing activities, and by increasing channels of distribution and branch networks.

Our Product Offering

The Company offers a wide variety of products and services which are categorised into two main areas, namely Lending and Deposits. The primary lending product is leasing facilities while the primary deposit product is fixed deposits. Our leasing facilities provide customised solutions which extend beyond traditional leasing products are offered at attractive rates and are configured to suit the unique financial requirements of our customers. The Company's fixed deposits product, a financial instrument provided by both banks and financial institutions, offers investors a higher rate of interest than a regular savings account. In addition, the Company's lending portfolio consists of other products such as Auto Draft, Gold Loan, Property Loan, Bonus Lease, Microfinance, Wheel Draft and Western Union.

To further add value to our customers, in the year under review, the Company introduced individual product logos for our main products to distinguish the Vallibel products in the market place from that of competitors.

Products	Description
Deposits	Deposit products are the main source of funds for the Company, offering several options – from one-month deposits to 5-year deposits.
General Leasing	A leasing facility for medium to high income earners requiring the purchase of high-value products.
Micro Leasing	A leasing facility offered for the financing of low investment vehicles such as three wheelers and motor bikes, with tailor made payment plans and competitive interest rates.

Social and Relationship Capital

Products	Description
Vehicle Mortgage Loans	A facility for obtaining a loan by mortgaging their vehicles.
Personal Loans	A facility which provides financial assistance for any personal requirement of individuals by offering competitively low interest rates and a convenient application and settlement process.
Property Mortgage Loans	A facility for government and private sector employees as well as self-employed professionals and businessmen in urgent need of cash or those required to purchase a land or building to obtain a loan by mortgaging their property.
Group Personal Loans	A facility for salaried employees to obtain financial assistance to improve their lifestyle and living standards.
Business Loans	A revolving facility that offers flexible financing to small and medium-sized businesses which require short-term loans for the purchase fast moving stocks.
Auto Draft	A speed draft product considered to be more economical that a bank overdraft facility.
Gold Loans	A facility for individuals to obtain loans secured against their gold jewellery.
Loans against Fixed Deposits	A facility specifically aimed at a niche customer segment - the Company's most valuable fixed deposit customers. Loans against fixed deposits are offered as a short-term solution to meet urgent financial requirements while offering low cost rates.

Product Development Activities

The Company has a range of products to meet the diverse needs of our customer base. Over the years, Vallibel Finance has introduced unique products such as the 'Vallibel Auto Draft' and 'Vallibel Bonus Lease' to meet the needs of the different consumer groups.

The Vallibel Auto Draft launched in 2014, is an overdraft facility obtained by using a motor vehicle as security. The convenience lies in the hassle-free manner in which the loan can be obtained and the payment of monthly interest rates. Capital repayment is collected at the end of the period agreed upon with the borrower/customer at the time of the disbursement of the facility.

Vallibel Bonus Lease is designed to offer customers a 'one-month waiver' of their lease rental, effectively gifting them with a special bonus. The popular Bonus Lease concept was originally designed as a bonus for Sinhala Hindu New Year in April and Christmas seasons, drawing inspiration from the traditional festive bonus given to employees. The scheme was subsequently re-designed to make the bonus rental available to customers during a month of their choice, giving them greater freedom.

Distribution and Branch Expansion Activities

The Company's pursuit of branch expansion is geared to increase convenience for our customers, while delivering financial services to markets which have either limited or no access to such services. Over the years Vallibel Finance has pursued not only the opening of new branches but also branch relocations and refurbishment to reach customers in the most efficient and effective manner possible while increasing customer convenience in obtaining financial services. Additional details are included in the Manufactured Capital review from pages 43 to 49 of this report.

Our employees are also trained on building and maintaining long term customer relationships thereby increasing value to our customers while also enhancing business volume growth thereby increasing value created to other key stakeholder groups. Vallibel Finance also offers customers doorstep and personal selling services which are conducted by company employed marketing personnel as part of our coin tuned efforts to increase customer convenience.

Marketing and Communications Activities

Marketing activities are used to create brand awareness and disperse information about Vallibel Finance and our products. All marketing campaigns are carried out in all three languages – English, Sinhala and Tamil, and in different media – newspapers, magazines, televisions, radio, outdoor hoardings, and social media, to ensure reaching all people of the country. This helps our existing customers to be confident about the Company's strong presence in the marketplace while prospective customers can obtain the required information about the Company's products and services to fulfil their financial service needs.

As part of the Company's efforts to reach customers and increase their convenience, during the year under review, we enhanced our corporate website and increased our social media presence as well as the frequency with which we publish articles and advertisements on Facebook. This allows the Company to reach customers on media which they utilise most frequently thereby increasing customer convenience and effectiveness of the Company's marketing and promotional campaigns. Additional details are included in the Manufactured Capital review from page 43 to 49 of this report.

Furthermore, the Company also sponsored direction boards at the Bird Park / Bird Research Center, Hambantota, which will help provide clear directions to foreign and local visitors, while simultaneously marketing the Company to these prospective customers.

Social and Relationship Capital

Sponsored direction boards at the Bird Park, Hambanthota

Product advertisements

Business Partners

For Vallibel Finance our business partnerships are an integral part of our business operations. They are the providers of products we require to carry-on Company business activities without interruption or delay while some business partners provide support services which are important for the smooth operations of day-to-day business. Vallibel Finance enters into partnerships with small and medium sized vehicle suppliers/ dealers to create value to these business organisations while creating value for our customers and ultimately increasing

Marketing campaign with AutoLand held at Colombo 03 the Company's revenue and profit streams. Over the years the Company has partnered with several motor vehicle dealers and strategic partners to offer Vallibel Finance financial services to customers to ease their financial burdens. Several marketing campaigns were also undertaken with them to communicate with target market customers.

To add value to our business partners, the Company sponsored the two Annual General Meetings and the Special Annual General Meeting of Vehicle Importers Association held in Hilton, Colombo in July 2018.

As a financial services company, Vallibel Finance only uses suppliers for the purchase of items related to day-to-day business operations. These suppliers include IT equipment suppliers, furniture and office equipment suppliers, and stationery suppliers among others. The Company has in place a process whereby suppliers are treated fairly, and payments are made timely and on agreed terms.

The Company's primary financial service providers are banks, financial institutions and auditors. By following a strict protocol of adhering to pre-defined and pre-determined contractual terms, the Company ensures the creation of long-term value to these stakeholders thereby building long term mutually beneficial relationships. The list of banks used by the Company is given on page 250 of this report.

Sponsoring the AGM of Vehicle Importers Association, Colombo

The Company also considered our outsourced service providers as business partners. To date, the Company has outsourced services such as courier, catering, housekeeping and janitorial, security services, printing services, and secretarial service. In addition, utility service providers, media and advertisers, promotional partners, insurance companies and owners of premises are also the Company's partners who assist in the uninterrupted and efficient functioning of our business operations.

As we progress further in our responsible and sustainable business operations, Vallibel Finance will strive to ensure our business partners incorporate ethical and non-discriminatory labour practices within business operations and apply standards of responsible sourcing. .

Community

Since inception, Vallibel Finance has always strived to give back to the communities within which we operate our business. Over the years, the Company has engaged with surrounding communities to understand their needs and contributed to the enhancement of education, health, living standards, promotion of professional development, culture, arts and religion, and assistance during times of disaster relief. During the year under review the total investment in corporate social responsibility activities amounted to Rs. 7.91 Mn.

Key corporate social responsibility projects/programmes undertaken by Vallibel Finance during the year under review are detailed below.

Social and Relationship Capital

Educational Projects

Project Objectives

- To provide modern child-friendly chairs and tables for every nursery and pre-school.
- To equip classrooms to an acceptable and conducive for education standard.
- To educate each child as per his/her unique needs.
- To meet national education standards by upgrading infrastructure of these schools.
- To ensure students are ready in a timely manner to progress with their educational goals.

Lending a helping hand to Nursery and Pre-Schools across the Country

This project was launched in the previous financial and continued to be an important project in the current financial year as well. Intended to assist in the education of low-income students with the objective of providing adequate learning and educational infrastructure facilities for nursery and pre-schools to promote a conducive learning environment as well as ensure health of students from low-income families. Vallibel Finance assisted another 25 private nursery and pre-schools by supplying furniture and other educational equipment during the year under review. Thus, to date, the Company has assisted 65 schools operating across the country to provide a conducive environment for the education of students in these schools.

The criteria for the selection of these nurseries and preschools were those which have been operational for more than five years with more than 25 children with little or limited modern educational facilities.

Employees of Vallibel Finance contributed their time and efforts by visiting identified schools and auditing their needs and eligibility as per pre-defined criteria. They also then ensured that the required furniture and equipment was installed at these schools in a timely manner.

Donations made to Sandhares Ladaru Uyana, Panamura, Embilipitiya

Locations of Nursery and Pre-schools assisted

1	Rathnapura	14	Heyyanthuduwa
2	Kurunegala	15	Halganoya
3	Nikadalupotha	16	Induruwa
4	Kalutara south	17	Rikillagaskatuwa
5	Katuneriya	18	Kiralpetiyawa
6	Udispattuwa	19	Negombo
7	Ratmalana	20	Balangoda
8	Mudungoda	21	Matara
9	Bambaragaswewa	22	Mattegoda
10	Galigamuwa town	23	Halthota
11	Wiharakele	24	Baddegama
12	Ahangama	25	Weboda
13	Embilipitiya		

Upliftment of Rural Educational Facilities

This is another project which was continued during the year under review by the Finance Department of Vallibel Finance. Similar to the previous year, employees jointly contributed to the purchase of the education equipment for the school, and also provided school bags, pens, pencils, shoes, etc., to students of Neeththa Vidyalaya in Madawalalanda, Ampara. 20 employees from the Finance Department took on the responsibility of distributing these items to the school which benefited 122 students.

Donations to Neeththa Vidyalaya in Madawalalanda, Ampara

Health and Community Development Projects

Project Objectives

- To uplift the health standards of the community.
- To educate on latest developments of diseases and other illnesses.
- To assist community to uplift standards of living.
- To assist community in times of natural disasters.

Annual Blood Donation Campaign

For the sixth consecutive year, Vallibel Finance organised a blood donation campaign in collaboration with the National Blood Transfusion Service, Colombo. With the slogan – 'DONATE BLOOD, SAVE LIFE', all Vallibel Finance head office employees, their families and friends participated in the event held on 11th August 2018. The project was a great success with 80 people contributing blood for the future use of the National Blood Bank.

Annual Blood Donation Campaign

Social and Relationship Capital

Helping the Needy

A project was conducted by Vallibel Finance in collaboration with Japanese delegates at the Hotel Kingsbury, with the intention of distributing essential items for needy people in the suburbs of Colombo in September 2018.

Donation event held at The Kingsbury Hotel, Colombo

Projects Promoting Culture, Arts and Religious Practices

Project Objectives

- To support cultural and religious events to build camaraderie.
- To support the enhancement of arts and music in the country.

Sponsorship of the Bauddaloka Wesak Ceremony

As part of the Company's efforts to help communities celebrate religious and culturally significant events, during the year under review Vallibel Finance sponsored the "Bauddaloka Wesak Kalapaya 2018" organised by the All Ceylon Buddhist Congress, held on the 29th and 30th April 2018. This event drew people from all walks of life who came to see the elaborate Wesak lantern arrangement on show by the participants.

Bauddaloka Wesak Kalapaya 2018

Sponsoring the "SadakadaPahana", a live musical show by Sunil Edirisinghe

As part of the Company's efforts to promote arts and artists, Vallibel Finance was the main sponsor for the veteran singer Sunil Edirisinghe's music concert 'Sandakada Pahana', organised by the Welfare Society of Amaya Hills Hotel held at the Kandy Dharmaraja college auditorium on 3rdJune 2018, the concert was a great success attended by youth as well as senior citizens.

Sponsoring the "Legend Untold Ballet Opera"

To promote arts within the educational arena of the country, Vallibel Finance was the main sponsor of the 'Rāvana-the Legend Untold' ballet opera organised by the University of Colombo. This was an unprecedented event in the country as this was the first ever ballet opera produced by a Sri Lankan university.

Sponsoring the 'Ravana - the Legend Untold' Ballet Opera organized by University of Colombo

The ballet opera was written by a locally famous novelist and script writer awarded for literature, Mr.Bhadraji Mahinda Jayathilaka and choreographed by Ms. Thanuja Bandula of Ranara Academy was rendered in the Sinhala language with 35 students representing all the faculties of the University of Colombo as cast members. The ballet was staged at the Nelum Pokuna Theatre in Colombo 07 on 2nd June 2018 and was lauded by enthusiastic ballet and opera lovers who attended the performance.

Professional Development Projects

Project Objectives

- To support the development of professionals in Sri Lanka.

Gold Sponsor of the 39th National Conference by the Institute of Chartered Accountants of Sri Lanka.

As part of our efforts to contribute to the development and enhancement of the accounting professionals of Sri Lanka, Vallibel Finance acted as one of the Gold Sponsors at the annual National Conference organised by the Institute of Chartered Accountants Sri Lanka. This year's conference theme was 'Hyper Leap' aimed at helping Chartered Accountants understand the need to embrace challenges, whilst ensuring that they take a bold leap without being shackled by technological, demographic and economic changes. The conference was attended by accounting professionals from small, large and medium sized corporates from Colombo.

Social and Relationship Capital

Future Outlook

As part of our product development and extension strategy the Company will continue to focus on re-designing existing products to adapt to changing market conditions and customer needs. The Company will research and add new products to our current portfolio to further strengthen the Company's product range. This will be undertaken by careful analysis of the needs of different customer segments and tailoring product features to best accommodate their needs in the dynamically changing market and economic condition of the country. Delivery channels will also follow changing market trends and new branches will continue to be opened in areas with the greatest demand and high levels of market penetration opportunities. These activities of the Company will be supported by a competitive pricing strategy, promotional activities, and new and enhanced business partnerships as has been done on the previous years as seen by the successful growth and development of Vallibel Finance.

The Company will concentrate on developing long term mutually beneficial partnerships with business partners and suppliers and concentrate on advocating ethical and transparent business operations across our value chain.

Vallibel Finance will also continue to concentrate efforts on community development and enhancement projects, especially those related to educational advancement and health benefits while allocating resources to promote arts and culture within the Sri Lankan society.

Challenges Faced and Actions Taken

Creating value for social and relationship capital is a balancing act, as we need to balance the difference needs of our different stakeholders while we create value of each stakeholder group individually. Customer satisfaction will always remain a key priority and a major challenge in today's competitive environment and dynamically changing customer needs and requirements. Being in the financial services industry, the competition faced by Vallibel Finance in the marketplace is also intense. As such through concentrated efforts and personalised and value adding services Vallibel Finance will continue to focus on attracting new customers and retaining existing customers for the longer term.

The highly recognised and respected brand reputation that Vallibel Finance has built over the years will also pave the way for leading the marketplace amongst peers and giving the Company a higher degree of trust from a customer's perspective.

Furthermore, the volatility experienced in the socio-economic environment and changes in policy within the operating environment of the financial services sector also poses a challenge that must be overcome, while remaining relevant to consumer needs and turning changes to favourable conditions and future growth opportunities for Vallibel Finance.

Natural CAPITAL

> *Vallibel Finance PLC is aware of the need to conserve and safeguard these natural resources in while carrying out our day-to-day business operations.*

Strategic Goals

Efficient use of natural resources through the application of the 3R concept
– reduce, re-use, recycle

Achievement 2018/2019

- Increased employee awareness about recycling initiatives.
- Sponsored protective cages to be installed around newly planted trees and shrubs along Galle Road in Colombo.

Overview

The Company's natural capital consists of natural resources such as water, energy as well as materials created by using natural resources such as paper and non-renewable fuel. Thus, Vallibel Finance PLC is aware of the need to conserve and safeguard these natural resources in while carrying out our day-to-day business operations. The Company's impact is mainly in areas of material usage, energy usage, emissions, water usage, and waste generated.

We continue to apply control measures which reduce materials used in our normal business processes, water used by employees for their basic hygiene needs, energy consumption while conducting business activities and undertake measures to reduce the waste generated in doing business.

Water Conservation

Vallibel Finance recognises that water is a scarce resource, and many are deprived of access to adequate and clean drinking water, thereby acknowledging that even our smallest actions impact water quality and quantity. Resultantly, as part of our efforts to conserve water and reduce water usage the Company has put up posters in the lunchroom and in washrooms which act as visual reminders for employees to use only the required water and to close taps to conserve water. Further, as part of the Company's efforts to supply clean drinking water for all employees, Vallibel Finance has contracted with a third-party supplier of mineral water to supply water to employees at the Head Office and all our branch locations. However, the Company's water consumption does increase year-on-year due to the increase in the employee base as a result of business growth. The Company still is ensured that water consumption is comparatively lower than that of other water intensive industries.

Energy Consumption

The Company uses electricity to operate lights, fans, air-conditioners, and office equipment,etc. supplied by the national electricity grid. With the growth of business operations, the Company's electricity consumption and usage has also increased. However, Vallibel Finance' has in

Natural Capital

place simple measures such as switching off lights, fans and air conditioners when not being used, putting laptops and PCs on low power mode when not in use and generally adopting responsible electricity usage practices in all aspects of business operations.

Waste Management

As a service-based business organization, Vallibel Finance generates normal organic, plastic and paper-based waste as part of day-to-day business operations. All food, paper and plastic waste is segregated as required by the Municipal Council waste management operations and disposed of in a responsible manner.

As part of our efforts to reduce our paper usage, the Company has adopted a reduce and reuse policy where employees are encouraged to print only critical documents in hard format while sharing other documents in electronic format. Internal communications and Company notices are also shared via email with all employees as much as possible.

While the Company is still to implement a formal system of accounting for reduction in paper and plastic usage, every employee of the Company has heartily adopted the reduce, reuse and recycle efforts encouraged by the Company in order to reduce the Company's carbon and environmental footprint.

Climate Change

Climate change is an occurrence which is evident through changing weather patterns around the world. As a small contribution to mitigate the effects of climate change, Vallibel Finance sponsored protective cages to be installed around newly planted trees and shrubs along Galle Road in Colombo.

Protective steel cages around trees along Galle Road, Colombo 03

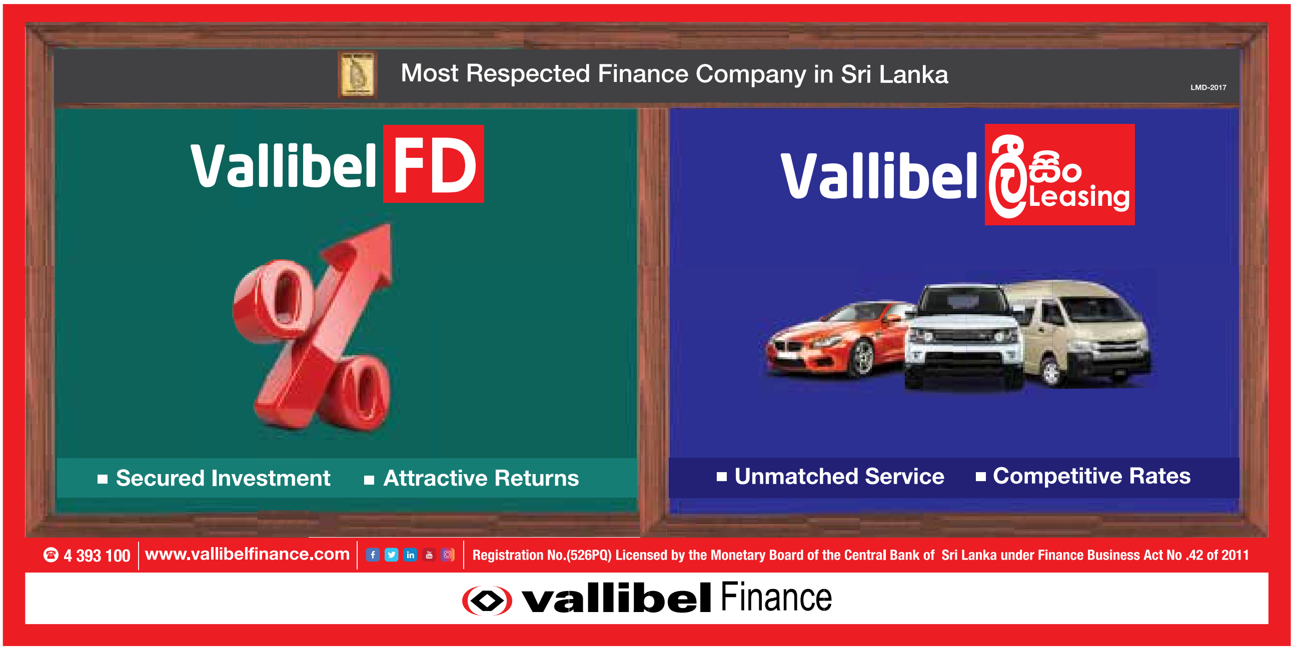
Future Outlook

Vallibel Finance is still in our initial stages of implementing eco-friendly business practices and we have yet much to achieve in the future. In the coming years, the Company plans to put in place more energy efficient business practices and create more awareness for being environmentally friendly by our employees not only at work but also in their personal lives. There are also plans to introduce more initiatives to adopt systematic methods to reduce the Company's carbon and environmental footprint in the medium-term.

Challenges Faced and Actions Taken

As the Company expands our business reach across the country, set up new branches island-wide, and grow business volumes, our carbon footprint impact also continues to increase. However, every effort is made to continually consider the sustainability of our business activities and conduct business in an eco-friendly manner by adopting practices which will reduce our carbon footprint in the longer term.

Review of BUSINESS SEGMENTS



Product advertisement

The year under review proved fruitful for Vallibel Finance PLC, with the Company's two business segments – Deposit Products and Lending Products – continuing to perform well amidst challenging market and macro-economic conditions. The Company's continued focus on increasing market presence through branch expansions and offering high levels of customer service together with product customization to meet customer specific requirements has enabled the Company to benefit by creating value for all stakeholders in the long term.

> *"The Company's continued focus on increasing market presence through branch expansions and offering high levels of customer service has enabled the Company to benefit by creating value for all stakeholders in the long term."*

Review of Business Segments

TOTAL LOAN PORTFOLIO REACHED

Rs.38Bn

in 2018/19, a growth of 26% compared to the previous financial year.

FIXED DEPOSIT BASE

Rs.25Bn

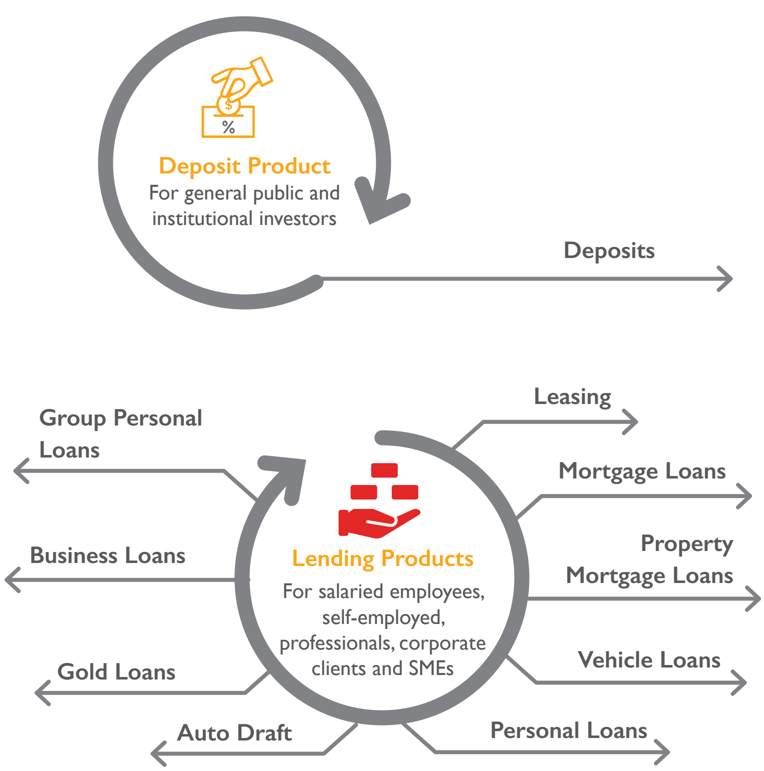
2018/19 enabled the Company to strengthen our position among the leading 10 Licensed Finance Companies with the largest deposit base.

MONTHLY GROSS DISBURSEMENTS

Rs.2.2Bn

achieved during the financial year 2018/19.

Our Product Portfolio



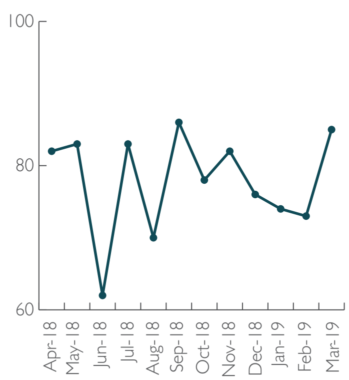
Deposits

Vallibel FD

Vallibel Finance has been providing the high quality and secure fixed deposits to our customers for over 12 years, offering attractive fixed deposit rates with a guaranteed return on capital investment. Furthermore, the Company's adherence to regulations and the range of options offered together with a superior customer service make the Vallibel Finance fixed deposits portfolio an attractive investment options for our customers. A key differentiating factor of the fixed deposit offered by Vallibel Finance is the pre-approved loan against fixed deposit and interest charged only on amount used. In addition, the Company also provides free advisory services as part of the turnkey solution offered to customers.

As part of our continued efforts to promote our fixed deposit products to new and prospective clients, the Company regularly publishes advertisement in leading newspapers, while individual branches also carry-out and promotional campaigns and distribute leaflets in their operating regions.

The Company views our deposit base as giving us credibility as an ethical and trustworthy business from a public perspective. Thus, the strength of our fixed deposit base showcases the Company's long-term potential for trust which has been built over the last 12 years. As such the fixed deposit renewal ratio remained above 75% throughout the year assisted by the prolonged trust build with our customer base through our product quality and high service standards.

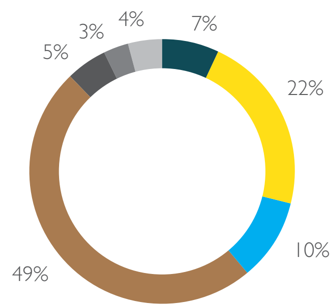


DEPOSIT RENEWAL RATE

Product performance:

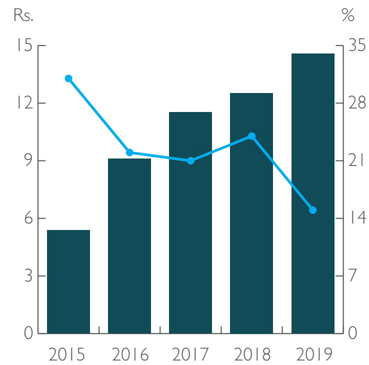
During the year under review, the total deposits portfolio grew by 14.65% and exceeded the Rs. 25 Bn milestone to reach Rs. 25.44 Bn at 31st March 2019 compared to Rs. 22.19 Bn in the previous financial year. The interest expenses of the deposit portfolio increased by 17.06% to Rs. 2.99 Bn during the year ended 31st March 2019 compared Rs. 2.55 Bn in the previous financial year.

Vallibel Finance's portfolio of deposit products ranges from one-month fixed deposits to 5-year fixed deposits with interest payments at maturity or every month. However, to maintain an optimal deposit mix, the Company pursued growth in medium to long term tenured fixed deposits during the year under review.



TENURE WISE DEPOSITS BASE
AS AT 31ST MARCH 2019

- *1 month and less than 3 months*
- *3 months and less than 6 months*
- *6 months and less than 01 year*
- *01 year and less than 2 years*
- *02 years and less than 3 years*
- *3 years and less than 5 years*
- *5 years*



GROWTH IN DEPOSIT BASE

- *Deposits from customers*
- *Year-on-Year Growth*

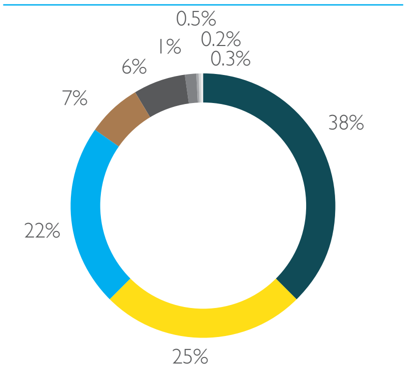
Review of Business Segments

Lending Products

Vallibel Finance has an extensive portfolio of lending products to suit different customer needs. The Company's main products include leasing, mortgage loans, vehicle loans, personal loans and gold loans.

Product performance:

During the year under review, the Company's total lending portfolio grew by 26.37% to reach Rs. 38.96 Bn compared to Rs. 30.83 Bn in the previous financial year. The key drivers of growth were leasing, fixed deposit loans and gold loans which grew by 16.35%, 37.04% and 66.48% respectively. Vehicle loans which were introduced during the year under review also propelled the growth of the lending portfolio and together with leasing and mortgage loans accounted for 84.93% of the total lending portfolio as at 31st March 2019 and remain the key products of the Company's lending portfolio. Thus, the total lending portfolio of the Company generated an interest income of Rs. 7.43 Bn for the year ended 31st March 2019, a growth of 27.48% compared to the interest income of Rs. 5.83 Bn generated during the previous financial year.

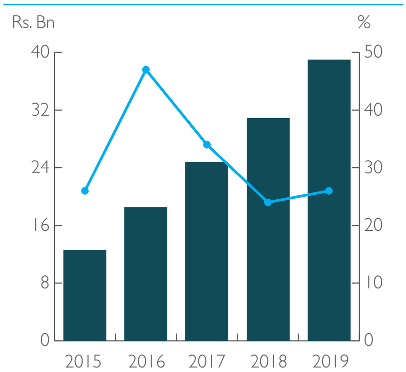


LENDING PORTFOLIO COMPOSITION
AS AT 31ST MARCH 2019

- *Lease*
- *Mortgage Loans*
- *Vehicle Loans*
- *Personal Loans*
- *Gold Loans*
- *Fixed deposit loans*
- *Hire Purchase*
- *Business Loans*
- *Other Advances*

The Company's quality of services together with our innovative and expanding product portfolio as well as the flexibility offered for customising lending product features to suit customer needs had ensured year-on-year growth. Furthermore, our increasing presence across the island through our expanding branch network, highly skilled and experienced employees ready to serve our customers to the highest standard of customer service, a friendly and speedy customer support service, and the increasing focus on marketing and promotions has resulted in the accelerated growth of the Company's lending products portfolio.

To maintain the growth momentum of the lending products portfolio, the Company re-aligned the product mix to focus more on promoting products such as the Vallibel Auto Draft, vehicle loans and gold loans to satisfy financing needs of our customers while diversifying risks by expanding income generated avenues.



GROWTH IN LENDING PORTFOLIO

- *Total Lending Portfolio - Net*
- *Year-on-Year Growth*

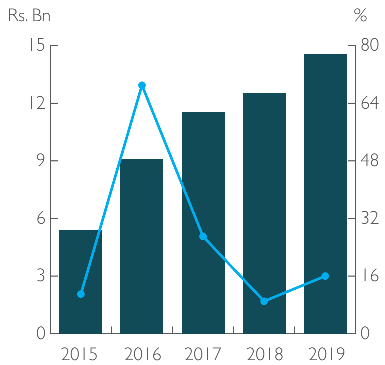
Leasing

Vallibel Finance offers customers two key categories of leasing products – micro leasing and general leasing. General leasing facilities are offered to individuals or businesses who require to purchase high-value products. The micro leasing facilities are offered for financing of low investment vehicles such as three wheelers and motor bikes, with tailor-made payment plans and competitive interest rates. Both categories of leasing products are available at all Vallibel Finance branches across the country.

Leasing continued to remain the Company's key product within the lending portfolio as well as a growth driver of the portfolio in the year under review. The focused efforts ensured growth of the leasing portfolio during the year under review despite challenging operating conditions experienced such

Product performance:

The gross leasing portfolio grew by a 16.99% as at 31st March 2019 to Rs. 15.14 Bn, compared to Rs. 12.94 Bn as at the last financial year. The Company granted 14,723 new leasing facilities and disbursed Rs. 10.78 Bn to customers across the country during the year under review. Of the total leasing facilities granted, micro leasing facilities amounted to 21% of the total leasing facilities. The total leasing portfolio accounted for 37.43% of the total lending portfolio which shows a marginal reduction compared to the previous financial year. During the year under review, interest income from finance leases amounted to Rs. 3.10 Bn compared to Rs. 2.71 Bn in the previous financial year, recording a year-on-year growth of 14.32%.



GROWTH IN LEASING PORTFOLIO

Total Lease Portfolio - Net
Year-on-Year Growth

as the tightening loan-to-value ratio requirements.

Mortgage Loan

The mortgage loan product was the second key product within the lending portfolio as well as a growth driver of the portfolio in the year under review accounted for 24.88% of the total lending portfolio. Mortgage loans are designed to enable customers to obtain funds by mortgaging their assets, either vehicles or property. The mortgage loan product is flexible as it can be customised to individual financial situations and needs of customers.

Vallibel
PROPERTY
LOAN

The property mortgage loan which was introduced to the market in 2014 now accounts for Rs. 1.05 Bn of gross portfolio. The key target market of the product is government and private sector employees as well as self-employed professionals and businessmen who are in urgent need of cash or in the process of purchasing a land or building for residential/commercial purposes.

Product performance:

The gross mortgage loan portfolio decreased by 27.86% during the year under review to Rs. 9.98 Bn compared to Rs. 13.84 Bn in the previous financial year mainly due to a strategic decision by the Company to slowdown the vehicle mortgage loans due to increasingly complicated processes which were highly time consuming thus delaying loan disbursement. To ensure that our customers were not inconvenienced by this decision, the Company introduced a substitute product during the year under review. The interest income from the mortgage loans portfolio amounted to Rs. 1.42 Bn for the year ended 31st March 2019.

Vehicle Loan

The vehicle loan product was introduced during the year under review as a substitute product for the vehicle mortgage loans which were scaled down due to a strategic decision by Vallibel Finance. This product is customised to meet the needs of customers while providing the loan at a much faster and in a more convenient manner.

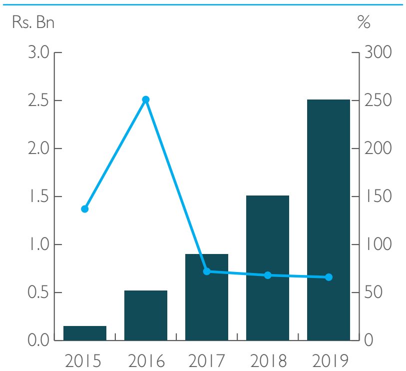
Product performance:

As at 31st March 2019, the gross portfolio for vehicle loans was Rs. 8.96 Bn, while the interest income generated amounted to Rs. 323.55 Mn for the year ended 31st March 2019.

Review of Business Segments

Gold Loans

Another key contributor to the lending portfolio, gold loans have seen an increasing demand by our customers since its introduction six years ago. The gold loan facility is offered to individuals to obtain loans secured against their gold jewellery. The value of the loan is dependent on the value of gold at the date of obtaining the funds.



GOLD LOAN PORTFOLIO

- Gold Loan Portfolio - Net
- Growth

Product performance:

The gross gold loan portfolio exceeded the Rs. 2 Bn landmark and reached Rs. 2.52 Bn as at 31st March 2019. This is mainly due to the Company's continued efforts to grow the gold loan customer base by increasing its reach though a branch expansion strategy. During the year under review, the four new branches opened by the Company included the gold loan as part of the total product portfolio. Thus, as at 31st March 2019, the gold loan facility is now available in 34 of the Company's branches across the country.

As a result, the gold loans portfolio interest income for the year ended 31st March 2019 was Rs. 447.15 Mn.

Vallibel Auto Draft

The Company's unique product brand, the Vallibel Auto Draft, is a speed draft product considered to be more economical than obtaining a bank overdraft facility. As such the product's popularity continues to soar since its launch in 2014 and led its market space during the year under review. The product offers highly competitive interest rates and unmatched repayment terms designed to be payable in 12 parts - the interest amount in the first eleven months and the capital in the 12th month together with the interest amount for that month. However, security is required to be provided for this facility. For increased customer convenience, the Auto Draft facility is offered in several formats - Leasing Auto Draft, Mortgage Loan Auto Draft, Personal Loan Auto Draft, and Vehicle Loan Draft. The different forms of the Auto Draft facilities are captured within the different product portfolios of the Company.

Vallibel Wheel Draft

The sub-category, Vallibel Wheel Draft, aimed at owners of registered and un-registered three-wheelers is an innovative product with the features of an overdraft facility. The repayment period is dependent on the value of the facility provided, while capital repayment is collected at the end of the period agreed upon with the customer at the time of disbursement of the facility. The product can be customised to suit the needs of the customer in terms of the monthly rental payments. This product was introduced in the previous financial year and continues to be popular with customers.

Product performance:

The total Auto Draft portfolio stood at Rs. 8.82 Bn as at 31st March 2019 compared to Rs. 6.71 Bn in the previous financial year. This growth of 31.27% during the year under review shows the popularity of the product in the marketplace and with consumers in search of a financial lending instrument. The interest income generated from the Auto Draft portfolio for the year ended 31st March 2019 was Rs. 1.63 Bn.

Personal Loan

The Personal loan product is designed to offer customers financial assistance for any personal requirement by offering competitively low interest rates and an easy and convenient application and settlement process.

Product performance:

During the year under review, the gross personal loan portfolio increased by 13.41% to Rs.2.69 Bn as at 31st March 2019 compared to Rs. 2.37 Bn in the previous financial year. The interest income generated from personal loans for the year ended 31st March 2019 was Rs. 202.13 Mn.

Group Personal Loan

A sub-category under the personal loan products is the group personal loan product aimed at salaried employees working in reputed and established companies in Sri Lanka who require short-term financial assistance to improve their lifestyle and living standards. By obtaining this product customers are able to purchase home furniture; appliances and equipment, pay education fees and related expenses, purchase gold jewellery and incur similar consumer expenditure.

The repayment of the loan instalment is linked to the salary of the customer and directly remitted to Vallibel Finance from their employer. However, as a measure to safeguard business sustainability, the Company made a strategic decision to stop offering new loans under this product category for the foreseeable future.

Product performance:

The group personal loans portfolio stood at Rs. 44.30 Bn as at 31st March 2019.

Business Loan

The business loan product is a facility offering flexible financing to small and medium sized businesses which require short-term loans for the purchase of fast moving stocks. This product allows these small and medium sized businesses to push for business growth and expansion while still being able to fulfil their financial obligations without undue stress.

Product performance:

The gross business loans portfolio stood at Rs. 48.05 Bn as at 31st March 2019.

Loans against Fixed Deposits

This product is available only to the Company's most valuable fixed deposit customer base. Loans against fixed deposits is offered as a short-term solution to meet urgent financial requirements of these existing long-term fixed deposit customers of Vallibel Finance who are able to get this loan at a low cost compared to other lending products..

Product performance:

During the year under review, the gross loans against fixed deposits portfolio grew by 37.04% to Rs. 532.33 as at 31st March 2019 compared to Rs. 388.45 Mn in the previous financial year. The interest income generated from this product for the year ended 31st March 2019 was Rs. 72.23 Mn.

Microfinance

Microfinance was launched as a pilot project in the year 2016, offered only to customers of the Negombo and Kurunegala branches. Due to the increasing risk factor associated with the product, the Company made a strategic decision to slowdown the microfinance product offering to customers.

Product performance:

Product performance: As such, the Microfinance gross loan portfolio further decreased to Rs. 9.45 Bn as at 31st March 2019.

Board of DIRECTORS

R. M. Karunaratne
Acting Chairman

S. B. Ranagamuwa
Managing Director

Dhammika Perera
Executive Director

T. Murakami
Director

K. D. A. Perera
Director

A. Dadigama
Director

S. S. Weerabahu
Director

J. Kumarasinghe
Director

Hiroyuki Ota
Alternate Director

Board of Directors

R. M. Karunaratne

Acting Chairman

Mr. Rathnayake Mudiyanselage Karunaratne joined the Board of Vallibel Finance PLC on 30th April 2013.

He received his Bachelor of Science (B.Sc.) degree from the University of Sri Jayawardenapura, Sri Lanka, specializing in Estate Management & Valuation.

After his graduation in 1977, he joined the Board of Investment of Sri Lanka (BOI) in 1978 and during the period 2008 to 2011, having served in various departments, rose to the position of Executive Director – Monitoring.

S. B. Rangamuwa

Managing Director

A fellow of the Chartered Institute of Marketing (UK), and a Chartered Marketer. Mr. Rangamuwa is a member of the Institute of Management Accountants of Australia.

He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Certificate in Foundation Studies (Sports) from Unitec, New Zealand.

He obtained an MBA from the University of Southern Queensland / CA Sri Lanka as well as a postgraduate Diploma in Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

He started his career with Central Finance PLC after a stint at Ernst and Young. He is a former Director of Mercantile Investments PLC having held various key positions during his long standing career until he joined to launch Vallibel Finance PLC in February 2007.

Currently he is also the Deputy Chairman of Pan Asia Banking Corporation PLC.

Dhammika Perera

Executive Director

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including manufacturing, banking & finance, leisure, aluminum extrusion, packaging, plantations, lifestyle, healthcare, consumer and hydro power generation. He has over thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Unidil Packaging Ltd, Delmege Ltd, and LB Microfinance Myanmar Company Ltd.

He is the Co- Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC.

He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC & Dipped Products PLC.

T. Murakami

Director

Mr. Toyohiko Murakami is Chief Executive of Bansei Group Japan. Mr.Murakami has over 33 years of experience in managing various business fields, consisting of Securities, Finance, Insurance, and Real Estate. Mr. Murakami has a degree in Bachelor of Law from Kyoto University, Japan.

Mr.Murakami joined Bansei Securities Co., Ltd. in November 2005. He was appointed to Executive Vice President in February 2006 and to President & CEO of the company in June 2009.

He is also Chairman of Bansei Hoken (Insurance) Community Co., Ltd. which is one of the sister companies of Bansei Securities Co., Ltd.

Formerly, Mr. Murakami was Advisor of ZenkokuHosho Co., Ltd. from November 2005 to February 2006 and Director of H.S. Securities Co., Ltd. from June 2002 to August 2005.

He is Chairman of Bansei Holdings LK (Pvt) Ltd. and Bansei& NWS Consultancy (Pvt) Ltd., Deputy Chairman of Bansei Royal Resorts Hikkaduwa PLC, Director of Pan Asia Banking Corporation PLC,Bansei Securities Capital (Pvt) Ltd., and Hikkaduwa Hotel Holdings (Pvt) Ltd.

K. D. A.Perera

Director

Mr. Anuradha Perera is a Director of Vallibel Leisure (Pvt) Ltd and also holds directorships in other private sector companies which are under Vallibel Group.

A. Dadigama

Director

Mr. Aravinda Dadigama is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA in Finance from University of Southern Queensland, Australia. Further, he is a degree holder (BBA) of University of Colombo.

He is specialized in finance, treasury, risk management and formulating strategic business plan and counts over 23 years of experience in different entities including finance companies and exporting companies.

At present, Mr. Dadigama is the Group CEO / Managing Director of Alugrow Group of Companies.

S. S. Weerabahu

Director

Mr Sisira Sirimevan Weerabahu, possess 36 years' experience in the capacity of senior executive in both private and public sector. Studied at Royal College Colombo and entered the University of Moratuwa where he obtained a Bachelor of Science Degree in Civil Engineering. He is a Member of the Institute of Engineers of Sri Lanka and is a Fellow of the Chartered Institute of Management Accountants UK. He has followed the Master of Business Administration Degree programme at the Post Graduate Institute of Management of the University of Sri Jayawardenapura and has obtained international training in Financial Management.

He served as the Head of Finance at the National Water Supply and Drainage Board and Lanka Cellular Services for more than 14 years and worked as the Consultant attached to the country infrastructure division of World Bank resident mission for 2 years. Thereafter he joined the Millenium Group and was the Director /Chief Executive Officer of Millenium Housing Developers PLC, MC Urban Developers Ltd, Millenium Housing Ltd, MC Universal Ltd and Millenium Villa Housing Ltd for 19 years until he retired.

He has wide experience in Project Development, Project Financing, General Management and Finance and Engineering.

Board of Directors

J. Kumarasinghe

Director

Mr. Janaka Kumarasinghe is a senior Human Resource Management (HRM) professional who has served Regnis Lanka, Singer Sri Lanka, Suntel and IUCN Pakistan and Nepal in senior HRM positions. A Chartered Fellow of Charted Institute of Personnel Management (CIPM) Sri Lanka, he earned his B.Com from University of Colombo and MSc (Asia-Pacific HRM) from National University of Singapore. Also, a past student of Royal College Colombo, he is a Member of CMA (Australia).

As a past president of CIPM Sri Lanka and Asia Pacific Federation of HRM he has been instrumental in introducing the PQHRM (Professional Qualification in HRM) to Sri Lanka, and a member of the initial Outward Bound Training team who has re-introduced the concept after receiving training in Malaysia, Singapore and the USA.

A visiting lecturer in HRM at University of Moratuwa and Colombo in their masters programmes, he has been awarded the CIPM Gold Medal in 2008 for his outstanding contributions to the field of HRM.

Mr. Kumarasinghe currently serves as a member of the International Editorial Advisory Board of South Asian Journal of HRM, Director Resourcing (Projects) with a leading garment manufacturer and Executive Director of Kent Ridge (Pvt) Ltd., a company he has co-founded.

Hiroyuki Ota

Alternate Director

Mr. Ota is the Managing Director of Bansei Securities Finance (Pvt) Ltd and counts over 30 years of experience in finance business in the areas of commercial banking, trust banking, lease finance and securities business. Mr. Ota holds a Degree in Bachelor of Law from Kyoto University (Japan).

He has been the Managing Director of Bansei Securities Finance (Pvt) Ltd since 2015, and has been dedicated towards collaborations between Sri Lanka and Japan in Financial Business. Mr. Ota is also acknowledged by the Bansei Group as Managing Director who contributed towards strengthening and making the Bansei Group profitable.

He previously worked for the Long Term Credit Bank of Japan (Now called as Shinsei Bank 1982-2000), Mitsui Sumitomo Trust & Banking (2000 -2011) and Ricoh Co. Ltd (2011-2014).

He is a Director of Bansei Securities Capital (Pvt) Ltd, Bansei& NWS Consultancy (Pvt) Ltd, Bansei Holdings LK (Pvt) Ltd, Bansei Royal Resort Hikkaduwa PLC and Hikkaduwa Hotel Holdings (Pvt) Ltd.

Corporate Management TEAM

Niroshan Perera
Senior Deputy General Manager
Credit

Thilak Nanayakkara
Senior Deputy General Manager
Collections

Menaka Sameera
Senior Deputy General Manager
Finance & Administration

Tharaka Amaraweera
Deputy General Manager
Asset Management

Shanka Dissanayake
Deputy General Manager
Credit

Sajeewa Sapukotana
Deputy General Manager
Business Development

Rohan De Silva
Assistant General Manager
Metropolitan Branch

Kelum Warnakula
Assistant General Manager
Business Development

Senior Management TEAM

Aruni Nawaratne
Senior Manager - *Legal*

Suren Abeywickrama
Senior Manager - Branches

Keerthi Sugathadasa
Senior Manager - Process Development

Saminda Gammanpila
Senior Manager - Regions

Lakmal Gabadage
Senior Manager - Regions

Rukmal Mendis
Chief Manager - Administration

Ruchira Bandara
Chief Manager - Finance

Ranil Wickramarathne
Chief Manager - Credit Administration

Manjula Pushpakumara
Chief Manager - Gold Loan

Dinesh Samaranayake
Chief Manager - Recoveries

Prasanna Ranasinghe
Chief Manager - Recoveries

Kasun Harischandra
Chief Manager - Recoveries

Kalpa Amarasinghe
Chief Manager - Moratuwa

Ranjith Gunaratne
Chief Manager - Rathnapura

Asinil Perera
Chief Manager - Kurunegala Metro

Ajith Rathnamalala
Chief Manager - Gampaha

Senior Management Team

Jagath Mendis
Chief Manager - Galle

Wasantha Senanayake
Chief Manager - Chilaw

Janaka Kumara
Chief Manager - Embilipitiya

Priyantha Rathnayake
Chief Manager - Malabe

Madhura Jayasekara
Chief Manager - Nugegoda

Rangana Rupasinghe
Chief Manager - Anuradhapura

Dilhan Liyanage
Chief Manager - Rajagiriya

Corporate GOVERNANCE

Corporate Governance is popularly understood as the system by which Companies are directed and controlled. The Board of Directors is responsible for the governance of the Company and has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all the Company's dealings and making the best effort in achieving performance and quality profits. We have continuously refined our structure and systems to ensure governance on the lines as defined, aware at all time that we are accountable to our stakeholders and the general public.

The Vallibel Finance PLC's corporate governance framework is based on the concepts of accountability, transparency and ethical business practices. In developing the Company's corporate governance framework, we have incorporated both mandatory and voluntary rules and regulations as set out by the Companies Act No. 07 of 2007, Continuing Listing Requirements of the Colombo Stock Exchange (CSE), Finance Business Act No. 42 of 2011, Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka, and the Code of Best Practice on Corporate Governance issued jointly by Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities and Exchange Commission of Sri Lanka (SEC) in 2013.

As such, the Company pursues corporate governance from the highest level and integrates relevant practices within business strategies thereby ensuring that corporate governance embedded in strategic decision making and day-to-day business operations. Furthermore, the Company's corporate governance framework provides guidance and direction which paves the way for taking an integrated value creation approach to business development and success.

This statement describes the application of the Corporate Governance practices within the Company during the year under review.

Board of Directors

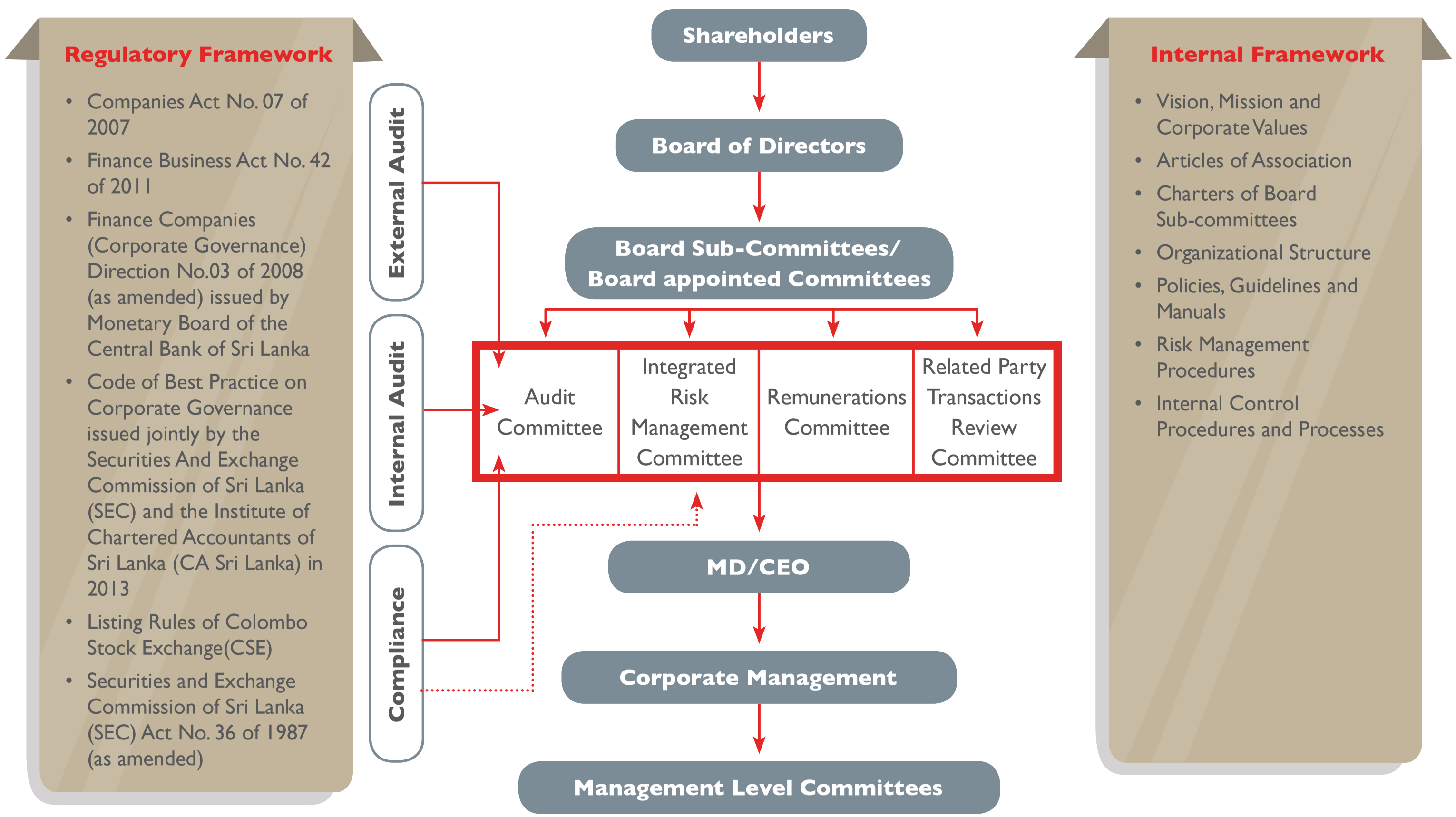
The Board is the highest body of Vallibel Finance PLC that carries the responsibilities of directing the Company. The responsibilities of the Board includes making an accurate assessment of the Company's position, taking strategic decisions, holding regular meetings of the Board and Board Sub Committees, ensuring good governance and overseeing the risk management of the Company.

Composition and Independence

The Board comprises eight (08) members, six (06) of whom including the Chairman are Non Executive Directors with a balance of skills and experience which is appropriate for the business carried out by the Company.

"The Company pursues corporate governance from the highest level and integrates relevant practices within business strategies..."

CORPORATE GOVERNANCE FRAMEWORK



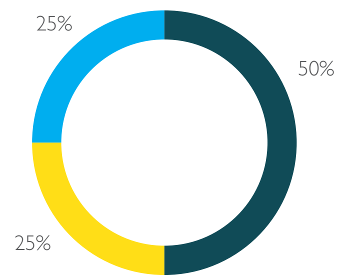
No	Name of Director	Status	Date of Appointment to the Board
01	Mr. R M Karunaratne	Acting Chairman - Independent Non-Executive Director	30.04.2013
02	Mr. S B Rangamuwa	Managing Director	14.03.2007
03	Mr. Dhammika Perera	Executive Director	22.08.2005*
04	Mr. T Murakami	Non-Executive Director	16.07.2014
05	Mr. K D A Perera	Non-Executive Director	12.08.2014
06	Mr. A Dadigama	Independent Non-Executive Director	15.09.2014
07	Mr. S S Weerabahu	Independent Non-Executive Director	20.04.2018
08	Mr. J Kumarasinghe	Independent Non-Executive Director	01.02.2019
	Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive Director	10.12.2015

** Appointed as an Executive Director w.e.f. 21.08.2014*

In terms of paragraph 7(3) of the Finance Companies Direction No. 3 of 2008, it is declared that Messrs Dhammika Perera and K D A Perera are siblings.

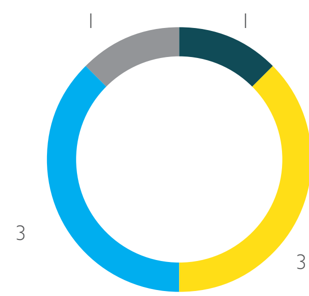
Based on declarations submitted by the Non-Executive Directors, the Board has determined that four (04) Non-Executive Directors, namely Mr. R M Karunaratne, Mr. A Dadigama, Mr. S S Weerabahu and Mr. J Kumarasinghe are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Board Composition



NON-EXECUTIVE AND EXECUTIVE DIRECTORS

- *Non-Executive/ Independent Directors*
- *Non-Executive/Non-Independent Directors*
- *Executive Directors*



AGE GROUP WISE

- *35-45*
- *46-55*
- *56-65*
- *66-70*

Tenure	No. of Directors
Less than three years	2
3 to 5 years	3
Above 5 years	3

Corporate Governance

Chairman and Managing Director

The functions of the Chairman and the Managing Director are separate with a clear distinction drawn between responsibilities, which ensure balance of power and authority.

Mr. R M Karunaratne serves as the Acting Chairman and Mr. S B Rangamuwa serves as the Managing Director/CEO.

Tenure, Retirement and Re-election of Directors

At each Annual General Meeting one of the Directors for the time being, shall retire from office and seek re-election by the shareholders.

The provisions of the Company's Articles of the Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Board Meetings

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter that require the attention of the Board. The Board meets once a month, and wherever necessary Special Meetings of the Board are held.

During the year ended 31st March 2019, twelve (12) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K V P R De Silva*	Independent Non-Executive	10/12
Mr. Dhammika Perera	Executive	10/12
Mr. S B Rangamuwa	Executive	12/12
Mr. R M Karunaratne	Independent Non-Executive	12/12
Mr. T Murakami	Non-Executive	-
Mr. K D A Perera	Non-Executive	11/12
Mr. A Dadigama	Independent Non-Executive	11/12
Mr. S S Weerabahu	Independent Non-Executive	11/12
Mr. J Kumarasinghe**	Independent Non-Executive	02/12
Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive	10/12

**Ceased to be a Director w.e.f 15.03.2019*
***Appointed as a Director w.e.f 01.02.2019*

Audit Committee

An Audit Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committees and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. A Dadigama	Independent Non-Executive Director	5/5
Mr. R M Karunaratne	Independent Non-Executive Director	5/5
Mr. T Murakami	Non-Executive Director	0/5
Mr. S S Weerabahu*	Independent Non-Executive Director	3/5

**Appointed w.e.f 26.07.2018*

The Report of the Audit Committee is given on pages 151 and 152.

Remuneration Committee

A Remuneration Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committees and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. K V P R De Silva*	Independent Non-Executive Director	4/5
Mr. R M Karunaratne	Independent Non-Executive Director	5/5
Mr. K D A Perera	Non-Executive Director	4/5
Mr. J Kumarasinghe**	Independent Non-Executive Director	N/A

**Ceased w.e.f 15.03.2019*

***Appointed w.e.f 28.03.2019*

Related Party Transactions Review Committee

A Related Party Transactions Review Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committees and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. A Dadigama	Independent Non Executive Director	4/4
Mr. R M Karunaratne	Independent Non Executive Director	4/4
Mr. T Murakami	Non-Executive Director	0/4
Mr. S S Weerabahu*	Independent Non Executive Director	3/4

**Appointed w.e.f 26.07.2018*

The Report of the Related Party Transactions Review Committee is given on page 153.

Integrated Risk Management Committee

In compliance with the Finance Companies (Corporate Governance) Direction No.3 of 2008 an Integrated Risk Management Committee functioned under the Chairmanship of Mr. R M Karunaratne, and consisted of senior management personnel supervising broad risk categories. The names of the Directors and Officers who serve on the said Committees and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. S B Rangamuwa	Executive Director	3/4
Mr. A Dadigama	Independent Non Executive Director	4/4
Mr. R M Karunaratne	Independent Non Executive Director	4/4
Mr. S S Weerabahu*	Independent Non Executive Director	3/4
Mr. Niroshan Perera	Senior Deputy General Manager- Credit	4/4
Mr. K D Menaka Sameera	Senior Deputy General Manager- Finance & Administration	4/4
Mr. T U Amaraweera	Deputy General Manager-Asset Management	4/4

**Appointed w.e.f 26.07.2018*

The report of the Integrated Risk Management Committee is given on 154.

Compliance Officer

Ms. D D Wijayathilaka functions as the Compliance Officer to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and business activities undertaken by the Company in general.

The Management

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

Financial Disclosures and Transparency

The financial statements of the Company are prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), the Companies Act, the Finance Business Act and the directions and rules issued thereunder. As a listed Company, Vallibel Finance PLC publishes unaudited quarterly/half yearly Financial Statements and audited Financial Statements in compliance with the Listing Rules of the Colombo Stock Exchange and Finance Companies (publication of half yearly Financial Statements) Guideline No.2 of 2006.

Corporate Governance

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

Ethical Standards

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and committed group of employees.

Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.19, Employee Benefits.

Compliance Statement

We confirm that throughout the year ended 31st March 2019 and as at the date of this Annual Report, the Company was compliant with the Listing Rules of the Colombo Stock Exchange and Finance Companies Direction No. 03 of 2008 on Corporate Governance and amendments thereto.

In addition, tables set out in pages 127 to 140 depict the extent of adherence with the Code of Best Practice on Corporate Governance, issued jointly by the ICASL and SEC. Further, the Company has complied with the provisions of the Companies Act No. 07 of 2007 and other statutes as applicable to the Company.

All statutory payments due to Government, which have fallen due, have been made or where relevant provided for.

Retirement gratuities have been provided for in accordance with LKAS19 – 'Employee Benefits'.

Accountability and Disclosure

The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.

By Order of the Board
VALLIBEL FINANCE PLC

PW Corporate Secretarial (Pvt) Ltd
Secretaries

30th May 2019

Section one

The Finance Companies (Corporate Governance) Direction No. 3 of 2008 and subsequent amendments thereto on Corporate Governance for Licensed Finance Companies in Sri Lanka issued by Monetary Board of the Central Bank of Sri Lanka:

The disclosures below reflect the Company's compliance and the extent of its compliance with the above Direction which comprises of nine subsections, namely:

1. The Responsibilities of the Board of Directors
2. Meetings of the Board
3. Composition of the Board
4. Fitness and Propriety of Directors
5. Delegations of Functions
6. The Chairman and Chief Executive Officer
7. Board Appointed Committees
8. Related Party Transactions
9. Disclosures

Directions		Extent of Compliance
2. The Responsibilities of the Board of Directors		
2. (1)	**The Board of Directors shall strengthen the safety and soundness of the finance company by-**	
	a) approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	*Complied with.* Strategic objectives and values are incorporated in the Board approved strategic plan and these have been communicated to the staff. The Board of Directors approves and oversees the implementation of strategies mainly through the monthly Board meetings and the Board's views relating to such strategies are communicated to the staff through management meetings.

Corporate Governance

Directions		Extent of Compliance
b)	approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	***Complied with.*** A Board approved strategic plan is in place addressing the Company's overall business strategy. The Board provides direction in the development of short, medium and long term strategies of the Company. The Board approves and monitors the annual budget with updates on execution of the agreed strategies. The Board sub committees namely, Audit Committee and the Integrated Risk Management Committee oversee the risk management aspect of the Company. The Board approved risk policy and risk management framework is also in place.
c)	identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	***Complied with.*** Identifying major risks, establishing governance structures and systems to measure, monitor and manage those key risks are carried out mainly through the Board Integrated Risk Management Committee. Risk Reports are submitted to the Committee by the Management on a quarterly basis. The decisions and actions taken are submitted for Board's information where necessary. Please refer Risk Management report on page 155 to 167 and Integrated Risk Management Committee report on page 154 for further details.
d)	approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	***Complied with.*** Board approved Communication Policy covering all stakeholders is in place.

Directions		Extent of Compliance
	e) reviewing the adequacy and the integrity of the finance company's internal control systems and management information systems;	*Complied with.* Adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board Audit Committee. The Committee is assisted in this function by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of internal control systems and management information systems, the results of which are reported to the Audit Committee. The Committee appraises the scope and results of internal audit reports and system reviews. The decisions and actions taken are submitted for Board's information and/or action (if deemed necessary).
	f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	*Complied with.* The Board has identified and designated the Key Management Personnel, as defined in the Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosures", who significantly influence policies, direct activities and exercise control over business activities of the Company.
	g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;	*Complied with.* The key responsibilities of the corporate management personnel are defined in their job responsibilities, whilst the Directors derive their responsibilities from the regulations and directions, mainly, the Directions issued under the Finance Business Act No. 42 of 2011.
	h) ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	*Complied with.* The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the MD / CEO. Affairs of the Company by corporate management personnel are discussed at the monthly Board meetings and reviewed by the Board. Further, Board sub committees and other committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.

Corporate Governance

Directions		Extent of Compliance
	i) periodically assessing the effectiveness of its governance practices, including: i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	*Complied with.* Evaluation of the Board's own governance practices are assessed by the Directors individually and collectively discussed/reviewed by the Board on a periodic basis.
	j) ensuring that the finance company has an appropriate succession plan for key management personnel;	*Complied with.* A succession plan for key management personnel is in place.
	k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	*Complied with.* The members of the senior management regularly make presentation and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.
	l) understanding the regulatory environment;	*Complied with.* The Board is updated of the changes in the regulatory environment and new directions, circulars etc. issued are made available to the Directors.
	m) exercising due diligence in the hiring and oversight of external auditors.	*Complied with.* The Audit Committee carries out the due diligence in hiring of the External Auditors and makes recommendations to the Board.The Committee reviews the work carried out by External Auditors including the audited accounts, management letter and any other documents referred to the Audit Committee. External auditors attend Audit Committee meetings by invitation.

Directions		Extent of Compliance
2 (2)	The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer.	*Complied with.* The Chairman and the Chief Executive Officer have been appointed by the Board. The Chairman provides leadership to the Board and the Chief Executive Officer/ Managing Director is responsible for effective management of the Company's operations. Functions and responsibilities of the chairman and the MD/CEO have been defined and approved by the Board.
2 (3)	There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.	*Complied with.* The Directors are permitted to seek independent professional advice on any matters when deemed necessary at the Company's expense. A Board approved procedure is in place for this purpose.
2 (4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	*Complied with.* Directors abstain from voting on any resolution in which the Directors have related party interests and he is not counted in the quorum for the relevant agenda item at the Board Meeting.
2 (5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	*Complied with.* The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority.
2 (6)	The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	No such situations have arisen.
2 (7)	The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	*Complied with.* This report serves the said requirement.

Corporate Governance

Directions		Extent of Compliance
2 (8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	***Complied with.*** The Company has adopted a scheme of self-assessment to be undertaken by each Director annually and filed with the Company Secretary.
3. Meetings of the Board		
3 (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/ papers shall be avoided as far as possible.	***Complied with.*** Board meetings are held at monthly intervals, mainly to review the performance of the Company and other relevant matters referred to the Board. Twelve Board meetings were held during the year 2018/2019. Circulation of resolutions/papers to obtain Board's consent is minimized and resorted only when absolutely necessary.
3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	***Complied with.*** Annual calendar of Board meetings is issued at the beginning of the each calendar year enabling them to include matters and proposals in this regard. Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.
3 (3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	***Complied with.*** Notice of Meeting is circulated to the Directors 7 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.
3 (4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Such situation has not arisen during the year 2018/2019.

Directions		Extent of Compliance
3 (5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	***Complied with.*** Secretary to the Board is P W Corporate Secretarial (Pvt) Ltd, a Company registered with the Registrar General of Companies as a qualified secretary under Registration No SEC/(2)2008/216. Secretary's primary responsibilities involve handling of secretarial services to the Board and shareholders meetings and carryout other functions specified in related laws and regulations.
3 (6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	***Complied with.*** The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.
3 (7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	***Complied with.*** All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.
3 (8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	***Complied with.*** Minutes of Board Meetings are maintained by the Company Secretary. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.

Corporate Governance

Directions		Extent of Compliance
3 (9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: a) a summary of data and information used by the Board in its deliberations; b) the matters considered by the Board; c) fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; f) Decisions and Board resolutions.	*Complied with.* Detailed minutes are maintained by the Company Secretary covering these given criteria.
4. Composition of the Board		
4 (1)	The number of directors on the Board shall not be less than 5 and not more than 13.	*Complied with.* The Board comprised of Eight Directors as 31st March 2019.
4 (2)	The total period of service of a director other than a director who holds the position of chief executive officer or executive directors shall not exceed nine years.	*Complied with.* The total period of service of all Non-Executive Directors is less than 9 years as at date.
4 (3)	An employee may be appointed, elected or nominated as an executive director provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	*Complied with.* The Board consists of eight members of whom two are Executive Directors. Accordingly, the number of Executive Directors does not exceed one-half of Directors of the Board.

Directions		Extent of Compliance
4 (4)	The number of independent non-executive directors of the Board shall be at least one fourth of the total number of directors.	***Complied with.*** The Board comprises of four Independent Non-Executive Directors. Accordingly, the number of independent Non-Executive Directors exceeds one-fourth of the total number of Directors on the Board. Based on declarations submitted by the Non-Executive Directors, the Board has determined that four Non-Executive Directors, namely Mr. R M Karunaratne, Mr. A Dadigama, Mr. S S Weerabahu and Mr. J Kumarasinghe are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
4 (5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Not applicable as no alternate directors have been appointed to represent independent Non-Executive Directors.
4 (6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	***Complied with.*** The Non-Executive Directors of the Board are eminent personnel and they possess extensive knowledge, expertise and experience in different business fields. Their detailed profiles are given in page 90 to 92.
4 (7)	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	***Complied with.*** At all Board meetings held during the year 2018/2019, more than one half of the numbers of directors that constitute the quorum were Non-Executive Directors.
4 (8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	***Complied with.*** Please refer page 99 of the Corporate Governance Report.

Corporate Governance

Directions		Extent of Compliance
4 (9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	*Complied with.* All new appointments to the Board are subject to regulatory provisions.
4 (10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	*Complied with.* All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.
4 (11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	*Complied with.* Resignation of Directors and their reasons are duly communicated to the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka and to shareholders, with immediate notification to the Colombo Stock Exchange (CSE).
5. Criteria to assess the fitness and propriety of directors		
5 (1)	The age of a person who serves as Director shall not exceed 70 years.	*Complied with.* All Directors are below the age of 70 years as at 31st March 2019. Mr. KV P R De Silva, who served as Chairman/ Independent Non-Executive Director ceased his office on 15th March 2019 on reaching the age of 70 years, pursuant to this Direction.
5 (2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.	*Complied with.* No Director holds directorships of more than 20 companies/ societies/bodies/institutions.

Directions		Extent of Compliance
6. Delegation of Functions		
6 (1)	The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	*Complied with.* The Board is empowered by the Articles of Association to delegate any of their powers other than those exercisable exclusively by the Directors. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the CEO and other key management personnel. All delegations are made in a manner that would not hinder the Board's ability to discharge its functions.
6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	*Complied with.* The delegation process to the Board Sub-committees and to the CEO and Key Management Personnel is reviewed by the Board based on business requirements.
7. The Chairman and the Chief Executive Officer		
7 (1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person.	*Complied with.* The positions of the Chairman and the Chief Executive Officer are separate and performed by two different individuals.
7 (2)	The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	*Complied with.* The Chairman is an Independent Non-Executive Director.

Corporate Governance

Directions		Extent of Compliance
7 (3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.	*Complied with.* The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the CEO. Directors Messrs K D D Perera and K D A Perera are of the same family. No relationships prevail among the other members of the Board, other than for Directors who are common Directors of certain Companies.
7 (4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	*Complied with.* The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner.
7 (5)	The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	*Complied with.* The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretary circulates formal agenda prior to the Board Meeting.
7 (6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	*Complied with.* Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting.
7 (7)	The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	*Complied with.* All Directors are encouraged to actively participate in Board's affairs.
7 (8)	The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	*Complied with* There is a constructive relationship among all Directors and they work together in the best interest of the Company.

Directions		Extent of Compliance
7 (9)	The chairman shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	*Complied with* The Chairman is an Independent Non-Executive Director and does not engage in direct supervision of the key management personnel or any other executive duties.
7 (10)	The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	*Complied with.* Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
7 (11)	The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	*Complied with.* The Chief Executive Officer/Managing Director functions as the apex executive-in-charge of the day-to-day management of the Company's operations and business.

Directions		Extent of Compliance
8. Board appointed Committees		
8 (1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the Annual General Meeting of the company.	*Complied with.* The following Board Sub - Committees have been appointed by the Board; (i) Remuneration Committee (ii) Audit Committee (iii) Integrated Risk Management Committee (iii) Related Party Transactions Review Committee Each committee reports directly to the board. The Company Secretary functions as the Secretary to these Committees. The Reports of the Audit Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are given on pages 151 to 154 of this Annual Report.

Corporate Governance

Directions		Extent of Compliance
8 (2)	Audit Committee	
	a) The Chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	***Complied with.*** The Chairman of Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience. Qualifications and experience are disclosed in page 91 of the Annual Report.
	b) The Board members appointed to the committee shall be non-executive directors.	***Complied with.*** All the members of the audit committee are Non-Executive Directors.
	c) The committee shall make recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	***Complied with.*** In accordance with the Terms of Reference, the Committee has made the following recommendations: (i) The appointment of Messrs KPMG, Chartered Accountants as the External Auditor for audit services to be provided in compliance with the relevant statutes. (ii) The implementation of CBSL Guidelines applicable to the Auditors. (iii) Application of relevant Accounting Standards (iv) The service period, audit fee and any resignation or dismissal of the auditor Complied with the requirement that the engagement of the audit partner does not exceed five years.
	d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	***Complied with.*** The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes. The Audit Committee also reviews the nature and scope of the external audit taking in to account of the regulations & guidelines.

Directions		Extent of Compliance
	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity.	*Complied with.* In the instances where non-audit services are obtained from the External Auditor, prior approval is obtained from the Audit Committee. The Audit Committee evaluates the Company's requirement, nature of the non-audit service required by the Company, fee structure, skills and the experience required to perform the said service of such Auditors. If the Audit Committee is of the view that the independence is likely to be impaired with the assignment of any non-audit service to External Auditors, no assignment will be made to obtain such services.
	f) The committee shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including: (i) An assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	*Complied with.* The Committee has discussed and finalized the nature and the scope of audit, with the External Auditors before the audit commences.

Corporate Governance

<table>
<tr><th colspan="3">Directions</th><th>Extent of Compliance</th></tr>
<tr><td></td><td>g)</td><td>The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.

In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:

(i) major judgmental areas;

(ii) any changes in accounting policies and practices;

(iii) significant adjustments arising from the audit;

(iv) the going concern assumption; and

(v) the compliance with relevant accounting standards and other legal requirements.</td><td>Complied with.
Meetings of the Audit Committee are convened for this purpose.

The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.</td></tr>
<tr><td></td><td>h)</td><td>The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.</td><td>Complied with.
During the year under review the Committee met the External Auditors to discuss issues, problems and reservations relating to audit.</td></tr>
<tr><td></td><td>i)</td><td>The committee shall review the external auditor's management letter and the management's response thereto.</td><td>Complied with.
The Committee has reviewed the external auditor's Management Letter and the management response thereto. Follow up actions were taken accordingly.</td></tr>
</table>

Directions		Extent of Compliance
	j) The committee shall take the following steps with regard to the internal audit function of the finance company:	***Complied with.***
	(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	The Company's Internal Audit function has been outsourced and carried out by Ernst & Young Advisory Service (Pvt) Limited. The development of an in-house internal audit department is also in progress.
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;	The Internal Audit plan is reviewed and approved by the Audit Committee at the beginning of each financial year. Audit reports are tabled at the Audit Committee meeting by the Internal Auditors (outsourced) and the relevant items are discussed in detail with suitable actions agreed upon. Where required, the Management is invited to attend the meeting to provide clarifications.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	Performance of Ernst & Young as Internal Auditors is reviewed by the Audit Committee.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	
	(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	The Internal Audit function is an independent function which directly reports to the Board Audit Committee and the audits are performed with impartiality and due professional care.
	k) The committee shall consider the major findings of internal investigations and management's response thereto;	***Complied with.*** Significant findings of investigations carried out by the Internal Auditors along with the responses of the Management are tabled and discussed at Audit Committee meetings.

Corporate Governance

Directions		Extent of Compliance
	l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	***Complied with.*** The Chief Executive Officer, Chief Financial Officer and representatives of the Internal Auditors generally attend meetings. Where it is deemed necessary, other members of the corporate management are invited to attend the meeting. During the year under review the Committee met two times with the External Auditors.
	m) The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	***Complied with.*** The terms of reference of the Board Audit Committee include scope and responsibilities of the Committee. The Audit Committee is authorized to obtain external professional advice and to invite outsiders with relevant experience to attend meetings if necessary. The Committee also has full access to information in order to investigate into matters relating to any affair within its terms of reference.
	n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	***Complied with.*** The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings are maintained by the Company Secretary.
	o) The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	***Complied with.*** Please refer Audit Committee Report on page 151 and 152.
	p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	***Complied with.*** The Company Secretary functions as the Secretary to the Committee and records and maintains detailed minutes of the Committee meeting.

Directions		Extent of Compliance
	q) The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	***Complied with.*** A Whistle Blower Policy is in place which covers these aspects and significant findings are reported to the Audit Committee for appropriate follow-up action. The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on periodic basis to discharge this function.
8 (3)	Integrated Risk Management Committee	
	The following shall apply in relation to the Integrated Risk Management Committee (IRMC):	
	a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	***Complied with.*** Committee consists of three Independent Non - Executive Directors, Chief Executive Officer, Senior Deputy General Manager - Credit, Senior Deputy General Manager - Finance & Administration and Deputy General Manager - Asset Management who supervise broad risk categories as detailed in this Direction. Any other key management personnel and staff are invited as and when the Committee needs their presence.
	b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	***Complied with.*** Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Board Integrated Risk Management Committee at quarterly intervals for necessary guidance. Please refer Risk Management Report on page 155 to 167 for further details.
	c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	***Complied with.*** Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.

Corporate Governance

Directions		Extent of Compliance
d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	***Complied with.*** All risk indicators which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action. The progress of rectification of the position and implementation of the recommendations are also being monitored closely by the Committee.
e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	***Complied with*** The Board Integrated Risk Management Committee meetings are held at quarterly intervals.
f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	***Complied with*** The Internal Audit identifies lapses of this nature and makes recommendations to the Board Audit Committee to initiate actions against officers where material failures to meet risk management responsibilities are observed.
g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	***Complied with*** The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendation and risk reports.
h)	The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	***Complied with*** The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Company has appointed a Compliance Officer and the Compliance Officer submits a Compliance Report to the Board at its meetings held monthly and quarterly to the Integrated Risk Management Committee.

<table>
<tr><th colspan="2">Directions</th><th>Extent of Compliance</th></tr>
<tr><td colspan="3">9. Related party transactions</td></tr>
<tr><td>9 (2)</td><td>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:
a) A subsidiary of the finance company;
b) Any associate company of the finance company;
c) A director of the finance company;
d) A key management personnel of the finance company;
e) A relative of a director or a key management personnel of the finance company ;
f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company;
g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.</td><td>Complied with.
The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties.

The Related Party Transaction Review Committee was established in August 2015 in line with the code of Best Practices on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka (SEC).

The Report of the Related Party Transactions Review Committee is given on Page 153.</td></tr>
<tr><td>9 (3)</td><td>The transactions with a related party that are covered in this Direction shall be the following:
a) Granting accommodation,
b) Creating liabilities to the finance company in the form of deposits, borrowings and investments,
c) providing financial or non-financial services to the finance company or obtaining those services from the finance company,
d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.</td><td>Complied with.
Information in this regard, is disclosed in Note 48 on "Related Party Disclosures" in the Financial Statements.</td></tr>
</table>

Corporate Governance

Directions			Extent of Compliance
9 (4)	The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the finance company.		*Complied with.* The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties in the manner mentioned herein.
10. Disclosure			
10 (1)	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.		*Complied with.* The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the website of CSE.
10 (2)	The Board shall ensure that at least the following disclosures are made in the Annual Report:		
	a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	*Complied with.* Relevant disclosures are included in page 172 of the annual report under "Statement of Directors Responsibilities".
	b)	A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	*Complied with.* "Directors' Statement on Internal Control System Over Financial Reporting" is given on page 171.
	c)	The external auditor's certification on the effectiveness of the internal control mechanism referred to in sub paragraph (2) (b) above, in respect of any statements prepared or published.	*Complied with.* The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting.
	d)	Details of directors, including names, transactions with the finance company.	*Complied with.* Profiles of Directors are given on pages 90 to 92. Aggregate fees and expenses paid to the Board of Directors during the year amounted to Rs. 6.96 Mn and deposits held as at 31st March 2019 amounted to Rs. 39.32 Mn.

<table>
<tr><th>Directions</th><th></th><th>Extent of Compliance</th></tr>
<tr><td>e)</td><td>Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published.</td><td>Complied with.
This has been disclosed in Note 48.2.1.1 to the Financial Statements.</td></tr>
<tr><td>f)</td><td>Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.</td><td>Complied with.
The net accommodations granted to related parties as a percentage of the Company's capital funds are given below:
<table>
<tr><th>Category of related party</th><th>Amount (Rs. Mn)</th><th>Percentage of the Company's capital funds</th></tr>
<tr><td>Entities controlled by KMPs and their family members</td><td>0.53</td><td>0.01%</td></tr>
</table></td></tr>
<tr><td>g)</td><td>The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.</td><td>Complied with.
The aggregate amount of remuneration paid during the year to Key Management Personnel (Board and selected members of Corporate Management) and the transactions with Key Management Personnel are given below.
<table>
<tr><th></th><th>Rs. Mn</th></tr>
<tr><td>Compensation to KMP</td><td>87.68</td></tr>
<tr><td>Deposits Held</td><td>43.40</td></tr>
</table></td></tr>
<tr><td>h)</td><td>A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.</td><td>Complied with.
This has been disclosed under the "Corporate Governance Report" and "Annual Report of the Board of Directors on the affairs of the Company".</td></tr>
</table>

Corporate Governance

Directions			Extent of Compliance
	i)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	***Not applicable*** There were no significant supervisory concerns on lapses in the Company's risk management system or non-compliance with these Directions that have been pointed out by the Director of the Non-Bank Supervision Department of the CBSL and requiring disclosure to the public.
	j)	The external auditor's certification of the compliance with the Corporate Governance Direction in the annual corporate governance reports published.	***Complied with.*** The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above.

Section Two

Code of Best Practice on Corporate Governance issued jointly by the Securities And Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2013;

The disclosures below reflect the Company's compliance and the extent of the above Code of Best Practice which comprises of seven subsections, namely:

1. Directors
2. Directors' Remuneration
3. Relations with Shareholders
4. Accountability and Audit
5. Institutional Investors
6. Other Investors
7. Sustainable Reporting

Cord Ref.	Principle	Extent of Compliance
A. Directors		
A.1	**The Board**	
A.1	Effective Board, which should direct, lead and control the Company	***Complied with.*** As at the end of the year under review, the Board comprised of two Executive and six Non-Executive Directors who are eminent professionals with extensive experience in the different business sectors, including leaderships in quoted companies. Mr. S B Rangamuwa is the Managing Director/ Chief Executive Officer to whom the day-to-day management of the Company's operations and business has been delegated. The Board has appointed Sub Committees to assist in discharging its responsibilities and also approve policies, governance structures and the delegation of authority to provide a conducive business environment for effective performance of the Company.
A.1.1	Board meetings	***Complied with.*** Regular Board meetings are held at monthly intervals and the Board met 12 times during the year under review. See 'Board Meetings' on page 100.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
A.1.2	Board responsibilities Formulation and implementation of a sound business strategy;	***Complied with.*** The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings. Please refer response to requirement 2 (1) a) and b) of Section One, the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on page 103 and 104 for details.
	Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;	The Board has put in place a Corporate Management team led by the MD / CEO who possess required skills, experience and knowledge necessary to implement the strategy.
	The adoption of an effective CEO and Key Management Personnel succession strategy;	Refer 2 (1) j) on page 106 of Section One.
	An effective system to secure integrity of information, internal controls, business continuity and risk management;	The Board reviews effectiveness of internal control and risk management system on a continuous basis through the Audit Committee and Integrated Risk Management Committee. Please refer 'Director's Statement on Internal Control Over Financial Reporting', 'Audit Committee Report' and 'Integrated Risk Management Committee Report' on pages 151 to 152, 154 and 167 for details.
	Compliance with laws, regulations and ethical standards;	Compliance function is in place to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business.
	All stakeholder interests are considered in corporate decisions;	The views/impact on all stakeholders is considered when corporate decisions are made at Board meetings.
	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; and	Refer 8 (2) g) and 10 (1) on page 118 and 124 of Section One.
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	The Board is committed to fulfilling such other functions that are required according to the business environment.

Cord Ref.	Principle	Extent of Compliance
A.1.3	Compliance with laws and seeking independent professional advice	*Complied with.* The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense as and when such advice is required.
A.1.4	Access to the advice and services of the Company Secretary	*Complied with.* Please refer response to requirement 3 (7) to (8) of the Section One on page 109 for details on advice and services of Company Secretary. The removal of the Company Secretary is a matter to be considered by the Board as a whole.
A.1.5	Independent judgment of Directors	*Complied with.* Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
A.1.6	Dedication of adequate time and effort by the Board	*Complied with.* Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.
A.1.7	Training for Directors	*Complied with.* A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company.
A.2	**Chairman & Chief Executive Officer (CEO)**	
A.2	Separation of the roles and responsibilities of the Chairman and CEO to ensure a balance power and authority, such that no one individual has unfettered powers of decision.	*Complied with.* The positions of the Chairman and the CEO have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Managing Director (MD) is the Chief Executive Officer who is responsible for managing the Company's business.
A.2.1	Justification to combine the posts of Chairman and Chief Executive Officer	Not applicable.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
A.3	**Chairman's Role**	
A.3.1	Role of the Chairman	*Complied with.* The Chairman provides leadership to the Board and encourages an active contribution of both Executive and Non-Executive Directors to the Board's affairs and maintains balance of power between Executive and Non-Executive Directors. Please refer 7 (4) to (10) on page 114 and 115 of Section One for further details.
A.4	**Financial Acumen**	
A.4	Financial acumen and knowledge	*Complied with.* The Board has adequate number of Directors who have financial acumen and knowledge to contribute and offer guidance to the Board on matters of finance. Please refer pages 90 and 92 for the Profiles of the Directors.
A.5	**Board Balance**	
A.5.1	Have a balance of Executive & Non-Executive Directors	*Complied with.* Board maintains the required balance of Executive and Non-Executive Directors on the Board. The Board consists of two Executive Directors and six Non-Executive Directors of whom four are independent as well. As the majority of the Board comprises Non Executive Directors, their opinions and views carry significant weight in the Board's decisions.
A.5.2 & A. 5.3	Independence of Non Executive Directors	*Complied with.* Four Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4 & A.5.5	Board to determine annually as to the Independence or Non-Independence of Non-Executive Directors	*Complied with.* The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
A.5.6	Appointment of an Alternate Director	*Complied with.* All persons who are appointed as Alternate Directors to existing Directors of the Board are subject to the same criteria applicable to Directors.

Cord Ref.	Principle	Extent of Compliance
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	Appointment of Senior Independent Non-Executive Director is not required as the Chairman is an Independent Non-Executive Director.
A.5.9	Meetings only with Non-Executive Directors	***Complied with.*** Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	***Complied with.*** The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board.
A.6	**Supply of Information**	
	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	***Complied with.*** Timely and adequate information is provided by Management to the Board which is circulated to the Directors in advance for regular meetings. The Management also provides additional information as and when required by the Board members.
A.6.2	Adequate Notice for Board Meetings	***Complied with.*** Please refer response to requirement 3 (3) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on page 108 for details.
A.7	**Appointments to the Board**	
A.7.1 & A.7.2	Formal and transparent procedure for appointment of new Directors to the Board and Assessment of Board composition	***Complied with.*** Refer comments under Section 4 (9) of the Finance Companies Corporate Governance Direction.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	***Complied with.*** Details of new Directors are disclosed to the shareholders through a Colombo Stock Exchange (CSE) announcement at the time of their appointment. Prior approval for appointment of new Directors is obtained from the CBSL in accordance with the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.03 of 2011.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
A.8	**Re-election**	
A.8.1 & A.8.2	All Directors should be subject to re-election by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	*Complied with.* Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.
A.9	**Appraisal of Board performance**	
A.9.1 – A.9.3	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	*Complied with.* Refer 2 (8) on page 108 of Section One.
A.10	**Disclosure of Information in respect of Directors**	
	Shareholders should be kept advised of relevant details in respect of Directors.	
A.10.1	Disclosure of information on Directors in the Annual Report	*Complied with.* Information pertaining to Directors is disclosed in the following sections of this Annual Report. 1). Name, qualifications, expertise, material business interests and brief profiles on pages 90 to 92. 2). Related party transactions are given in Note No 48 to the Financial Statements on pages 261 to 264. 3). Membership of Sub Committees and attendance at Board Meetings on pages 100 & 101.
A.11	**Appraisal of Chief Executive Officer**	
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO	*Complied with.* Managing Director/CEO's performance targets are aligned with the short, medium and long term objectives of the Company. Targets are set at the beginning of every financial year by the Board and at the end of each financial year the Board evaluates the set targets and the actual performance.

Cord Ref.	Principle	Extent of Compliance
B Directors' Remuneration		
B.1	**Remuneration Procedure**	
	The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	
B.1.1	Establishment of a Remuneration Committee	***Complied with.*** The Board has established a Remuneration Committee to make recommendations to the Board in determining remuneration of the Managing Director. No Director is involved in deciding his own remuneration.
B.1.2	Remuneration Committee to comprise exclusively of Non-Executive Directors	***Complied with.*** All members of the Committee are Non-Executive Directors two of whom are independent as well. The committee members are; 1). Mr. K V P R De Silva* - Independent Non Executive Director 2). Mr. R M Karunaratne - Independent Non-Executive Director 3). Mr. K D A Perera - Non-Executive Director 4). Mr. J Kumarasinghe** - Independent Non Executive Director ** Ceased w.e.f. 15.03.2019* *** Appointed w.e.f 28.03.2019*
B.1.3	Membership to be disclosed in the Annual Report	***Complied with.*** Disclosed in the page 149 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
B.1.4	Remuneration of Non- Executive Directors	***Complied with.*** The Non-Executive Directors receive a fee for being a Director of the Board and additional fee whenever they serve on Board sub Committees.
B.1.5	Consultation with Chairman and/ or CEO for remuneration proposals and access to professional advice	***Complied with.*** Chairman and CEO are consulted for proposals relating to the compensation packages of other Executive Directors and independent advice is also resorted as deemed necessary.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
B.2	**Level and make up of Remuneration**	
	Levels of remuneration of both Executive and Non - Executive Directors should be sufficient to attract and retain the Directors. Proportion of Executive Directors' remuneration should be linked to corporate and individual performance.	
B.2.1 - B.2.9	Level and make up of remuneration of Executive Directors including performance element in pay structure	*Complied with.* The Remuneration Committee recommends the remuneration payable to the Managing Director. The Board makes the final determination after considering such recommendations.
	Remuneration packages in line with industry practices	The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/ industry rates.
	Executive share option	No share options schemes have been offered to the Executive Directors.
	Non Executive Directors remuneration	Non-Executive Directors of the Company are paid a fee in line with the market practices.
B.3	**Disclosure of Remuneration**	
	Requirement for Annual Report to contain a Statement of Remuneration Policy and details of Board's remuneration as a whole.	
B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to Executive and Non- Executive Directors	*Complied with.* Refer 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 149 for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company. The remuneration paid to the Board of Directors is disclosed in aggregate in Note No 48 to the Financial Statements on page 261.
C.	**Relations with Shareholders**	
C.1	**Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings**	
	The Board should use the Annual General Meetings to communicate with shareholders and encourage their active participation.	
C.1.1	Counting of proxy votes	*Complied with.* All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.
C.1.2	Separate resolutions for each substantially separate issue	*Complied with.* A separate resolution is proposed at the AGM for each substantially separate issue.

Cord Ref.	Principle	Extent of Compliance
C.1.3	Heads of Board Sub-committees to be available to answer queries	*Complied with.* In the absence of the Chairman of the respective Committee, a co-member will attend to queries raised.
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other related papers as determined by statute, before the meeting.	*Complied with.* Notice of the AGM, Form of Proxy and a copy of the Annual Report are sent to all shareholders at least 15 working days prior to the meeting in accordance with the provisions of the Companies Act of 2007, CSE Rules and the Articles of Association of the Company.
C.1.5	Summary of procedures governing voting at general meetings to be circulated.	*Complied with.* Notice of Annual General Meeting and proxy form provides instructions for shareholders about voting procedures.
C.2	**Communication with Shareholders**	
C.2.1 – C. 2.7	The Board should implement effective communication with shareholders.	*Complied with.* The main communication method with the shareholders is the Annual Report and AGM. Information is provided to the shareholders prior to the AGM, enabling them to raise / submit their views, suggestions and observations relating to the Company. A person to contact in relation to shareholders is the Company Secretary. The Company Secretary shall maintain a record of all correspondence received and will convey such correspondence to the Board.
C.3	**Major and Material transactions**	
	Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.	
C.3.1	Disclosure to shareholders of all material facts concerning any proposed transaction involving acquisition, sale or disposition of greater than one third of the value of the Company's assets.	There were no major transactions necessitating disclosure of this nature.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
D. Accountability And Audit		
D.1	**Financial Reporting**	
D.1	Requirement for Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects	***Complied with.*** The Company's position and prospects have been discussed in detail in the following sections of this Annual Report. 1). Acting Chairman's Statement on pages 12 to 15 2). Managing Director's Message on pages 16 to 19 3). Management Discussion and Analysis on pages 20 to 87
D.1.1	Present interim and other price sensitive public reports and mandated reports to regulators by statute	***Complied with.*** The Board's responsibility over financial reporting is stated in the 'Statement of Directors' Responsibilities' on page 172. In the preparation of quarterly and annual financial statements, the Company complies with the requirements of the Companies Act No 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto, and financial statements are prepared and presented in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The Company complies with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.
D.1.2	Declarations by Directors in the Directors' Report	***Complied with.*** Declarations/confirmations pertaining to this Principle are disclosed in the 'Annual Report of the Board of Directors on the affairs of the Company' on pages 146 to 150
D.1.3	Statements by Directors and Auditors on Responsibility for Financial Reporting	***Complied with.*** The 'Statement of Directors' Responsibilities' is given on page 172 and 'Directors' Statement on internal control system over financial reporting' is given on page 171. See 'Independent Auditor's Report' on page 174 to 179 for the reporting responsibility of Auditors.
D.1.4	Include a Management Discussion and Analysis	***Complied with.*** Please refer 'Management Discussion and Analysis' on page 20 to 87.

Cord Ref.	Principle	Extent of Compliance
D.1.5	Board should report that the business is a going concern with all the supporting assumptions and qualifications as necessary.	*Complied with.* Reported in the 'Annual Report of the Board of Directors on the affairs of the Company' and in the 'Statement of Directors' Responsibilities' published in this Annual Report.
D.1.6	Remedial action at an Extra ordinary General Meeting if net assets fall below 50% of value of shareholders' funds	This situation has not arisen.
D.1.7	Disclosure of Related Party Transactions adequately and accurately	*Complied with.* Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' is disclosed in Note No 48 to the Financial Statements on page 261 to 264 . Please refer responses to requirements of section 9 of the Finance Companies Corporate Governance Direction on page 123 to 124 for further details.
D.2	**Internal Control**	
D.2	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	*Complied with.* The Board is responsible for establishing and overseeing the adequacy and integrity of the Company's internal control systems and the Audit Committee assists the Board in discharging this responsibility. Internal Audit reviews of the adequacy and effectiveness of the internal control systems are reported on a regular basis to the Board Audit Committee. The overall risk management has been assigned to the Integrated Risk Management Committee of the Board.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
D.2.1	Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	***Complied with.*** Adequacy and integrity of the Company's internal control systems is reviewed by the Board Audit Committee and the Integrated Risk Management Committee assesses all aspects of risk management on a quarterly basis or more frequently as it deems necessary. The minutes of the Board Committee meetings are tabled at the meetings of the Board of Directors for their information and action. The Board's Statement on the effectiveness of the Company's internal control mechanism is presented in the 'Directors' Statement on internal control system over financial reporting' in this Annual Report. The Company obtained the External Auditors' Certification on the effectiveness of the internal control mechanism over financial reporting.
D.2.2	Internal audit function	***Complied with.*** The Company's internal audit function has been outsourced and carried out by Ernst & Young Advisory Service (Pvt) Limited. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings. The development of an in-house internal audit department is also in progress.
D.2.3	Audit Committee to carryout reviews of the process and effectiveness of risk management and internal controls and documents to the Board	***Complied with.*** Described in response to D.2.1 above.
D.3	**Audit Committee**	
	Formal and transparent arrangements to be in place for selection and application of accounting policies, financial reporting & internal control principles and maintaining appropriate relationship with the Company's Auditors.	
D.3.1	Composition of the Audit Committee	***Complied with.*** All members of the Board Audit Committee, including the Chairman are Non-Executive Directors and two of the members are Independent Non-Executive Directors as well.

Cord Ref.	Principle	Extent of Compliance
D.3.2	Duties of the Audit Committee	*Complied with.* The Audit Committee monitors and reviews the scope, results and effectiveness of the audit and the independence and objectivity of the External Auditors. Please refer responses to requirements of section 8 (2) of the Finance Companies Corporate Governance Direction on page 116 to 121 for further details.
D.3.3	Terms of Reference of the Audit Committee	*Complied with.* The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.
D.3.4	Disclosures of the Audit Committee	*Complied with.* Please refer 'Audit Committee Report' on page 151 and 152 of this Annual Report.
D.4	**Code of Business Conduct and Ethics**	
	Requirement to adopt a Code of Business Conduct and Ethics for Directors and members of senior management with due disclosures of waivers.	
D.4.1 & D.4.2	Disclosure whether the Company has a Code of Business Conduct and Ethics for directors and key management personnel with an affirmative statement of Chairman	Moving towards compliance. The Company is in the process of developing a Code of Business Conduct and Ethics.
D.5	**Corporate Governance Disclosures**	
	Requirement to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.	
D.5.1	Disclosure of Corporate Governance	*Complied with.* This requirement is met through the presentation of this report.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
E.	**Institutional Investors**	
E.1	**Shareholder Voting**	
	Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.	
E.1.1	Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders' views to the Board.	*Complied with.* The Annual General Meeting is the forum utilized by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).
E.2	**Evaluation of Governance Disclosures**	
E.2	Encourage Institutional investors to give due weight to relevant governance arrangements	*Complied with.* Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.
F.	**Other Investors**	
F.1	**Investing/Divesting Decision**	
F.1	Adequate analysis or seek independent advice	*Complied with.* Individual shareholders investing directly in the company are encouraged to carry out adequate analysis in investing or divesting decisions.
F.2	**Shareholder Voting**	
F.2	Individual shareholder voting	*Complied with.* Individual shareholders are encouraged to participate at Annual General Meeting and exercise their voting rights.
G.	**Sustainability Reporting**	
G.1	The Code requires the Company to adopt principles in Sustainability Reporting to ensure the maintenance of policies and procedures to develop a sustainable business environment and to make disclosures on sustainability.	Moving towards compliance. Social and Relationship Capital and Natural Capital are given on pages 67 to 80 describes community - based development initiatives carried out by the Company to support and build the Community.

Section Three

Requirements on the Content of the Annual Report in Rule 7.6 and Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange:

The disclosures below reflect the Company's compliance with the Requirements on the Content of the Annual Report in Rule 7.6 of the Listing Rules of the Colombo Stock Exchange.

Rule Ref.	Requirement	Extent of Compliance
A. Directors		
7.6 (i)	Names of persons who held the positions of Directors during the financial year	*Complied with.* Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 146 to 150.
7.6 (ii)	Principal activities of the Entity during the year and any changes therein	*Complied with.* Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 146 and Section 1.2 of the Notes to the Financial Statements on page 188.
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	*Complied with.* Please refer 'Information on Ordinary Shares' on pages 292 and 293. The Company has not issued any non-voting shares.
7.6 (iv)	The Public Holding percentage	*Complied with.* Please refer 'Information on Ordinary Shares' on page 292.
7.6 (v)	The statement of each Directors' holding and Chief Executive Officer's holding in shares of the Entity at the end of the financial year	*Complied with.* Please refer page 148 of 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	*Complied with.* Please refer 'Risk Management' report on pages 155 to 167.
7.6 (vii)	Details of material issues relating to employees and industrial relations of the Company.	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	*Complied with.* Information in this regard, is disclosed in Note 34 on 'Property, Plant and Equipment' in the Financial Statements on pages 244 to 247.
7.6 (ix)	Number of shares representing the Entity's stated capital	*Complied with.* Please refer Note 44 on 'Stated Capital' in the Financial Statements on page 258.

Corporate Governance

Rule Ref.	Requirement	Extent of Compliance
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	*Complied with.* Please refer 'Information on Ordinary Shares' on page 292 and 293.
7.6 (xi)	Ratios and market price information on Equity and Debt	*Complied with.* Please refer 'Financial Highlights' on page 8, 'Information on Ordinary Shares' on page 292 to 293 and 'Information on Listed Debentures' on page 294 to 295.
7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land, if the value differs sustainability from the book value	*Complied with.* Please refer Note 34 on 'Property, Plant and Equipment' in the Financial Statements on page 244 to 247.
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	There were no any share issues, rights issues or private placement during the year under review.
7.6 (xiv)	Information in respect of Employee Share Option / Purchase Schemes	No share options schemes have been offered by the Company.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules	*Complied with.* Please refer 'Corporate Governance' report on page 97 to 145.
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	*Complied with.* Please refer Note 48.3 on 'Related Party Disclosures' in the Financial Statements.

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange which comprises of five subsections, namely:

1. Non – Executive Directors
2. Independent Directors
3. Disclosures Relating To Directors
4. Remuneration Committee
5. Audit Committee

Cord Ref.	Principle	Extent of Compliance
7.10.1	**Non-Executive Directors**	
7.10.1 (a)	The board of directors of a Listed Entity shall include at least, two non-executive directors or such number of non-executive directors equivalent to one third of the total number of directors, whichever is higher.	***Complied with.*** The Board consists of eight members of whom Six are Non-Executive Directors. Accordingly, the number of Non-Executive Directors exceeds one-third of the total number of Directors on the Board.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	***Complied with.*** Of the eight Directors as at 31st March 2019, six were Non-Executive Directors.
7.10.1 (c)	Changes to this ratio shall be rectified within ninety days from the date of change.	No such situation has arisen.
7.10.2 Independent Directors		
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board, whichever is higher, should be independent.	***Complied with.*** Based on declarations submitted by the Non-Executive Directors, the Board has determined that four Non-Executive Directors are independent.
7.10.2 (b)	Each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in Rule 7.10.4.	***Complied with.*** All Non-executive Directors have submitted their independence declaration as per the requirements for the Financial Year under review.
7.10.3 Disclosure Relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	***Complied with.*** Disclosed in the page 147 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.10.3 (b)	In the event a director does not qualify as independent as per the rules on corporate governance but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless independent, the board shall specify the criteria not met and the basis for its determination in the annual report.	No such circumstance has occurred during the financial year 2018/2019.

Corporate Governance

Cord Ref.	Principle	Extent of Compliance
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report which includes information on the nature of his/her expertise in relevant functional areas.	***Complied with.*** Please refer pages 90 to 92 for the Profiles of the Directors.
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	***Complied with.*** All new appointments to the Board are announced to the CSE together with the profiles of the Directors, when appointments are made to the Board.
7.10.5 Remuneration Committee		
A listed Entity shall have a Remuneration Committee.		
7.10.5 (a)	The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	***Complied with.*** The Remuneration Committee comprises of three Non-Executive Directors two of whom are independent as well. The Chairman of the Committee is an Independent Non-Executive Director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer, to the Board.	***Complied with.*** The Remuneration Committee recommends the remuneration payable to the Managing Director / Chief Executive Officer and other management personnel. The Board makes the final determination after considering such recommendations.
7.10.5 (c)	The Annual Report shall set out: 1). The names of the Directors that comprise the Remuneration Committee 2). A Statement of remuneration policy 3). Aggregate remuneration paid to Executive and Non-Executive Directors	***Complied with.*** The names of the Directors that comprise the Remuneration Committee and the Statement of Remuneration Policy are given on page 149 of the 'Annual Report of the Board of Directors on the Affairs of the Company'. Aggregate fees and expenses paid to the Board of Directors have been disclosed in Note 18 to the Financial Statements.

Cord Ref.	Principle	Extent of Compliance
7.10.6. Audit Committee		
A listed Company shall have an Audit Committee.		
7.10.6(a)	The Audit Committee shall comprise of a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. The Chairman or one member of the Committee should be a member of a recognized professional accounting body. The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	*Complied with.* The Audit Committee comprises of three Non-Executive Directors two of whom are independent as well. The Chairman of the Audit Committee is an Independent Non Executive Director and possesses required qualifications and this is disclosed in page 91 of the Annual Report. The Chief Executive Officer and Chief Financial Officer attend the Audit Committee meetings by invitation.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10.6 of the Listing Rules.	*Complied with.* Please refer 'Audit Committee Report' on page 151 and 152 responses to requirements of section 8 (2) of the Finance Companies Corporate Governance Direction on page 116 to 121 for further details.
7.10.6 (c)	The Annual Report shall set out: 1). The names of the Directors comprising the Audit Committee 2). The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination 3). A report by the Audit Committee setting-out the manner of compliance of the functions set out in 7.10 of the Listing Rules, during the period to which the annual report relates	*Complied with.* Please refer 'Audit Committee Report' on Page 151 and 152.

Annual Report of the Board of Directors ON THE AFFAIRS OF THE COMPANY

The Directors of Vallibel Finance PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2019.

General

Vallibel Finance PLC is a limited liability Company which was incorporated on 5th September 1974 as a private limited liability company under the Companies Ordinance (Chapter 145) as "THE RUPEE FINANCE COMPANY LIMITED" and was converted to a public company on 7th August 1989 under the Companies Act, No.17 of 1982.

On 21st November 2005 the name of the Company was changed to "VALLIBEL FINANCE LIMITED". The Company was re-registered as "VALLIBEL FINANCE PLC" under the Companies Act, No.7 of 2007 (Companies Act) on 20th August 2008 under Registration No.PB526.

The Ordinary Shares of the Company and 10,000,000 Rated, Guaranteed (Capital and Two Interest Instalments), Subordinated Redeemable Debentures are listed on the Main Board of the Colombo Stock Exchange.

Vallibel Finance PLC is a Licensed Finance Company in terms of the Finance Business Act, No.42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000.

Principal activities of the Company and review of performance during the year

The Company's principal activities are the accepting of deposits, granting of finance leases, hire purchase, granting of mortgage loans, vehicle loans, gold loans, personal loans, micro finance and other credit facilities and related services in the finance business.

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

Financial Statements

The financial statements of the Company are prepared in accordance with revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the directions issued under the said Finance Business Act.

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 30th May 2019.

The Financial Statements of the Company duly signed by the Senior Deputy General Manager – Finance and Administration, and two Directors on behalf of the Board are given on pages 180 to 289, which form an integral part of the Annual Report of the Board of Directors.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company appear on page 174 to 179.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 188 to 214.

Changes in accounting policies are described in Note 04 to the financial statements.

Directors

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

Executive Directors

Mr. S B Rangamuwa - Managing Director

Mr. Dhammika Perera - Executive Director

Non-Executive Directors

Mr. R M Karunartne* - Acting Chairman

Mr. T Murakami** - Director

Mr. K D A Perera - Director

Mr. A Dadigama* - Director

Mr. S S Weerabahu*- Director

Mr. J Kumarasinghe* - Director

* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended)

** Alternate Director – Mr. H Ota

Mr. K V P R De Silva who served on the Board of Vallibel Finance PLC ceased to be the Chairman/Director of the Company on 15th March 2019 on reaching the age of 70 years, pursuant to paragraph 5(1) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Based on the declarations made by the Independent Non-Executive Directors under the Listing Rules, the Board determined that Messrs R M Karunaratne, A Dadigama, S S Weerabahu and J Kumarasinghe were independent as against the criteria for defining "independence" set out in the Listing Rules and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended).

Mr. J Kumarasinghe was appointed as a Director to the Board of the Company with effect from 01st February 2019 and shall retire in terms of Article 94 of the Articles of Association of the Company and being eligible is recommended by the Directors for election.

Mr. T Murakami retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Consequent to the cessation of office of Mr. KV P R De Silva, who was the Chairman, Mr. R M Karunaratne was appointed the Acting Chairman of the Board of Directors with effect from 15th March 2019.

The relevant regulatory approval in terms of the Finance Companies (Structural Changes) Direction No. 01 of 2013 was obtained for the aforesaid structural change.

Interest Register

The Company maintains an interests register in terms of the Companies Act, which is deemed to form part and parcel of this annual report and available for inspection upon request.

The relevant interests of Directors in the shares of the Company as at 31st March 2019 as recorded in the interests register are given in this report under Directors' shareholding.

Related Parties' Transactions with the Company

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the interests register in due compliance with the provisions of the Companies Act, LKAS 24, Listing Rules and Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 48 to the financial statements.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2019.

Directors' Remuneration

The Directors' remuneration is disclosed under Note 18 of the Financial Statements.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Stated Capital

The Stated Capital of the Company as at 31st March 2019 was Rs. 1,325,918,000/- represented by 58,863,350 Ordinary Shares. (Stated Capital was Rs. 287,153,000/- represented by 41,550,600 fully paid ordinary shares as at 31st March 2018).

Annual Report of the Board of Directors on the affairs of the company

Directors' shareholding

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

	Shareholding as at 31/03/2019	Shareholding as at 31/03/2018
Mr. R M Karunaratne	Nil	Nil
Mr. Dhammika Perera*	12,616,266	600
Mr. S B Rangamuwa	1,312,500	900,000
Mr. T Murakami	Nil	Nil
Mr. K D A Perera**	1,926,396	1,359,809
Mr. A Dadigama	Nil	Nil
Mr. S S Weerabahu	Nil	Nil
Mr. J Kumarasinghe	Nil	Nil

*Mr. Dhammika Perera is the Chairman and major shareholder of Vallibel Investments (Pvt) Ltd which holds 30,277,000 shares constituting 51.43% of the issued shares of the Company.

**Mr. K D A Perera also serves as a Director of Vallibel Investments (Pvt) Ltd

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, the 20 largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 292 and 293 Earnings, Dividends, Net Assets per Share, appear on page 08.

Auditors

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

A total amount of Rs 2,205,000 is payable by the Company to the Auditors for the year under review which comprise of Rs. 1,750,000 as Audit fees and Rs. 455,000 for Non Audit Services.

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

Donations

The total amount of donations made during the year under review is Rs. 3,162,300.

Property, Plant and Equipment

Details of Property, Plant and Equipment and changes during the year are given in Note 34 of the Financial Statements.

Material Foreseeable Risk Factors

The section on Risk Management on pages 155 and 167 sets out the processes currently practiced by the Company to identify and manage the risks.

Property, Plant And Equipment And Significant Changes in the Company's Fixed Assets / Market Value of Land

The details of property plant and equipment are given in Note 34 the financial statements. The land and buildings owned by the company are recorded at revalued amount and details of those properties and their market values as at 31st March 2019 as per valuations conducted by Mr. J M Senanayaka Bandara an incorporated valuer are set out in Note

34.9 to the financial statements on page 245.

Statutory Payments

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

Corporate Governance

The Board of Directors confirm that the Company has complied with Section 7.10 of the Listing Rules of the CSE on Corporate Governance and the Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended by Directions No. 4 of 2008 and No. 6 of 2013) and the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011, save and except in respect of the matters referred to in the Annual Corporate Governance Report on pages 97 to 145.

The Corporate Governance Statement on page 97 to 145 explains the practices within the Company in this respect.

An Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as Board Sub Committees, with Directors who possess the requisite qualifications and experience.

Additionally the Board has formed an Integrated Risk Management Committee in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

The composition of the said Committees is as follows:

Audit Committee

Mr. Aravinda Dadigama
Independent Non-Executive Director (Chairman)

Mr. R M Karunaratne
Independent Non-Executive Director

Mr. T Murakami
Non-Executive Director

Mr. S S Weerabahu*
Independent Non-Executive Director

**Appointed w.e.f 26.07.2018*

The Report of the Audit Committee appears on pages 151 and 152.

Remuneration Committee

Mr. K V P R De Silva*
Independent Non-Executive Director (Chairman)

Mr. R M Karunaratne
Independent Non-Executive Director

Mr. K D A Perera
Non-Executive Director

Mr. J Kumarasinghe **
Independent Non-Executive Director

** Ceased w.e.f. 15.03.2019*

***Appointed w.e.f 28.03.2019*

The Remuneration Committee recommends the remuneration payable to the Managing Director and other key management personnel. The Board makes the final determination after considering such recommendations. The remuneration packages offered by the Company are linked to the individual performances and are aligned with the Company's business.

Related Party Transactions Review Committee

Mr. Aravinda Dadigama
Independent Non-Executive Director (Chairman)

Mr. R M Karunaratne
Independent Non-Executive Director

Mr. T Murakami
Non-Executive Director

Mr. S S Weerabahu*
Independent Non-Executive Director

**Appointed w.e.f 26.07.2018*

The Report of the Related Party Transactions Review Committee appears on page153.

Integrated Risk Management Committee

Mr. R M Karunaratne
Independent Non-Executive Director - (Chairman)

Mr. A Dadigama
Independent Non-Executive Director

Annual Report of the Board of Directors on the affairs of the company

Mr. S B Rangamuwa
Managing Director/CEO

Mr. S S Weerabahu*
Independent Non-Executive Director

Mr. Niroshan Perera
Senior Deputy General Manager-Credit

Mr. K D Menaka Sameera
Senior Deputy General Manager-Finance & Administration

Mr. T U Amaraweera
Deputy General Manager-Asset Management

**Appointed w.e.f 26.07.2018*

The Report of the Integrated Risk Management Committee appears on page 154.

Annual General Meeting

The Annual General Meeting will be held on 28th June 2019 at 10.00 a.m at the Members Lounge of the Institute of Chartered Accountants of Sri Lanka 30A, Malalasekera Mawatha, Colombo 07.

The notice of the Annual General Meeting appears on page 311.

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

R M Karunaratne
Acting Chairman

S B Rangamuwa
Managing Director

Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

30th May 2019
Colombo

Audit Committee REPORT

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Finance PLC, comprises of Four Non-Executive Directors three of whom are Independent Directors as well. The composition of the committee is as follows.

Mr. A Dadigama
Independent Non-Executive Director (Chairman)

Mr. R M Karunaratne
Independent Non-Executive Director

Mr. S S Weerabahu
Independent Non-Executive Director

Mr. T Murakami
Non-Executive Director

The Chairman, Mr. A Dadigama, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, with more than 23 years of experience in Finance, Treasury, compliance and Risk Management.

Role of the Committee

The Audit Committee charter defines the role and responsibility of the Audit Committee. The key purpose of the Audit Committee of Vallibel Finance PLC is to assist the Board of Directors by fulfilling its overseeing responsibilities for:

- The integrity of Financial Statements
- The Company's compliance with legal and regulatory requirements
- The External Auditor's independence
- The performance of the Company's internal audit function
- The Soundness of internal control and practices.

The Audit Committee has authority to authorize investigations into any matter within its scope and responsibility as defined in the Audit Committee charter. The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

Meetings

The Committee met five times during the year. The attendance at the meetings was as follows:

Name of Director	Executive/Non-Executive	Attendance
Mr. A Dadigama	Independent Non-Executive	5/5
Mr. R M Karunaratne	Independent Non-Executive	5/5
Mr. S S Weerabahu*	Independent Non-Executive	3/5
Mr. T Murakami	Non-Executive	0/5

**Appointed w.e.f 26.07.2018*

The Company Secretaries function as the Secretaries to the Committee. The Managing Director and the Senior Deputy General Manager Finance & Administration attended the meetings on invitation. The minutes of the Audit Committee were tabled at the monthly Board meetings.

The Committee carried out the following activities:

Financial Statements

The Committee reviewed the Financial Information of Vallibel Finance PLC in order to monitor the integrity of the Financial Statements, its Annual Report and Accounts Reports prepared for publication.

Audit Committee Report

Internal Audit

During the year under review, the Committee reviewed the Audit Reports presented by Messrs Ernst and Young, Chartered Accountants to whom the internal audit function is outsourced together with the management responses. Risk-based audit approach was adopted with a view to rationalize the usage of audit resources.

External Audit

The Audit Committee met with Messrs KPMG prior to the commencement of the audit to discuss and approve the audit approach and the audit plan. Further, at the conclusion of the audit the Committee met with the Auditors to discuss the audit findings. The meetings were held without the presence of the Management. The Management's letter from the External Auditors and the response of the Management thereto were discussed by the Audit Committee.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, be re-appointed as the Auditors of the Company for the financial year ending 31st March 2020, subject to the approval of the Shareholders at the next Annual General Meeting.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.

A Dadigama
Chairman
Audit Committee

30th May 2019

Related Party Transaction REVIEW COMMITTEE REPORT

Composition of the Related Party Transaction Review Committee

The Related Party Transactions Review Committee, appointed by the Board of Directors of Vallibel Finance PLC, comprises of a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition of the committee is as follows.

Mr. A Dadigama
Independent Non Executive Director
(Chairman)

Mr. R M Karunaratne
Independent Non Executive Director

Mr. S S Weerabahu *
Independent Non Executive Director

Mr. T Murakami
Non Executive Director

**Appointed w.e.f 26.07.2018*

Brief profile of each member of the Committee is given on pages 90 to 92.

Role of the Committee

The Related Party Transactions Review Committee was established in August 2015 in line with the Code of Best Practices on Related Party Transactions, issued by The Securities and Exchange Commission of Sri Lanka (SEC).

The purpose of the Committee is to provide independent review, approval and oversight of Related Party Transactions of the Company.

The main responsibilities of the Committee include the following.

- Develop and recommend policies and procedures to review Related Party Transactions of the Company
- Review proposed Related Party Transactions of the Company except those explicitly exempted by the Committee Charter
- Update the Board of Directors on the Related Party Transactions of the Company
- Make disclosures on applicable Related Party Transactions, as required by the applicable regulations

Policies and Procedures

The Company has adopted a Related Party Transactions (RPTs) Policy in view of structuring the Company's policies and procedures to uphold good governance and in the best interests of the Company. The Policy has been prepared in accordance with the rules pertaining to RPTs under the Listing Rules of Colombo Stock Exchange.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency is maintained and are in compliance with the Listing Rules. The Committee reviewed related party transactions during the year and communicated its observations to the Board.

Meetings

The Committee held four meetings during the year, in quarterly intervals, to review the Related Party Transactions of the Company. The minutes of the meetings are tabled at next immediate Board meetings for Board's information and/or action.

Related Party Transactions during the year

During the financial year under review, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds & criteria as stipulated by Listing Rules of the Colombo Stock Exchange.

Details of other Related Party Transactions are given in Note No. 48 to the Financial Statements on pages 261 to 264.

A Dadigama
Chairman
Related Party Transaction Review Committee

30th May 2019

Integrated Risk Management COMMITTEE REPORT

Composition of the Integrated Risk Management Committee (IRMC)

IRMC is comprised of three Non Executive Directors, CEO and three representatives from the senior management. The composition of the Integrated Risk Management Committee is as follows.

Mr. R M Karunaratne
Independent Non Executive Director (Chairman)

Mr. A Dadigama
Independent Non Executive Director

Mr. S S Weerabahu
Independent Non Executive Director

Mr. S B Rangamuwa
Managing Director/CEO

Mr. Niroshan Perera
Senior Deputy General Manager – Credit

Mr. K D Menaka Sameera
Senior Deputy General Manager - Finance & Administration

Mr. T U Amaraweera
Deputy General Manager - Asset Management

Main Role and Responsibilities of the Committee

In line with sections 8.1 and 8.3 of the Finance Companies (Corporate Governance) Direction No.3 of 2008, an Integrated Risk Management Committee was established in December 2008.

The Integrated Risk Management Committee functions within the Terms of Reference which sets out the objectives and responsibilities of the Integrated Risk Management Committee. The scope and functions of the Committee conform with the provisions of the Finance Companies (Corporate Governance) Direction No.3 of 2008. The main objectives of the committee are:

- To ensure that the Company has a comprehensive risk management framework relative to its business activities and risk profile
- To assess the effectiveness of the Company's risk management system
- To ensure that a compliance function is in place to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls and other prescribed practices
- To ensure that the Board of Directors is kept updated of the Company's risk exposure

During the year, the Committee assessed and reviewed material risks associated with the conduct of the business, and also ensured strategies are in place to manage those risks to prudent levels. The Risk Management process which is used by the IRMC to discharge its functions is detailed in the Risk Management section of the annual report.

Meetings

The Committee held four meetings, in quarterly intervals, during the year under review. The minutes of the IRMC Meetings were tabled at the Board meetings.

The Integrated Risk Management Committee reviewed risk policy frameworks and risk management strategies and key risk indicators were discussed at the meetings. The IRMC is satisfied that the risk exposures of the Company are being appropriately managed.

R M Karunaratne
Chairman
Integrated Risk Management Committee

30th May 2019

Risk MANAGEMENT

As a leading player in the Financial Services Sector, Vallibel Finance faces diverse risk profiles related to business operations. As the Company has matured over the last 12 years of business operations, the risk environment has concurrently advanced driven by new technological innovations, more complex regulatory requirements, emergence of new forms of risks, and new ways in which business is conducted. Resultantly, risk management has also become more complex and challenging. Thus, the Company has developed an integrated risk management framework which embeds all forms if business and organizational risk consideration within business strategies to enable holistic view of how risks are identified, managed, controlled, and mitigated.

The integrated approach to risk management has enabled us to proactively manage risks related to both the internal and external operating environments, as well as incorporate processes and methodologies for identifying, measuring, monitoring and reviewing both financial and non-financial risk profiles and their effects on the sustainability of business operations and the value creation process.

The commitment by the Company's Board of Directors and senior management in enabling an effective integrated risk management approach to strategic decision making and the application of risk management principles is implicit in the Vallibel Finance risk management framework. The first step in ensuring focused attention to integrated risk management is the delegation of responsibility and authority to dedicated committees and teams to oversee the different types of risks faced by the Company in our day-to-day business operations. These teams are regularly expected to provide updates to the Integrated Risk Management Committee comprising of Board of Directors and senior management. This ensures that the top-most level of the Company's decision-makers are aware of, and able to provide their experienced guidance on improving the approach to good risk governance and management practices to enable us to build a viable and sustainable business over time.

Thus, risk management is an integral part of the way in which business is conducted at Vallibel Finance. The Company's approach to continually monitoring key identified risk profiles related to economic, financial, operational, legal, compliance, market and reputation ensures adherence to and compliance with acceptable levels as per Company guidelines.

This report presents risk governance structure and risk management framework of the Company, key risks associated with each of our strategic priorities, how they could impact our value creation process and performance, while explaining how these risks are managed across our business operations.

> *"Risk management is an integral part of the way in which business is conducted at Vallibel Finance."*

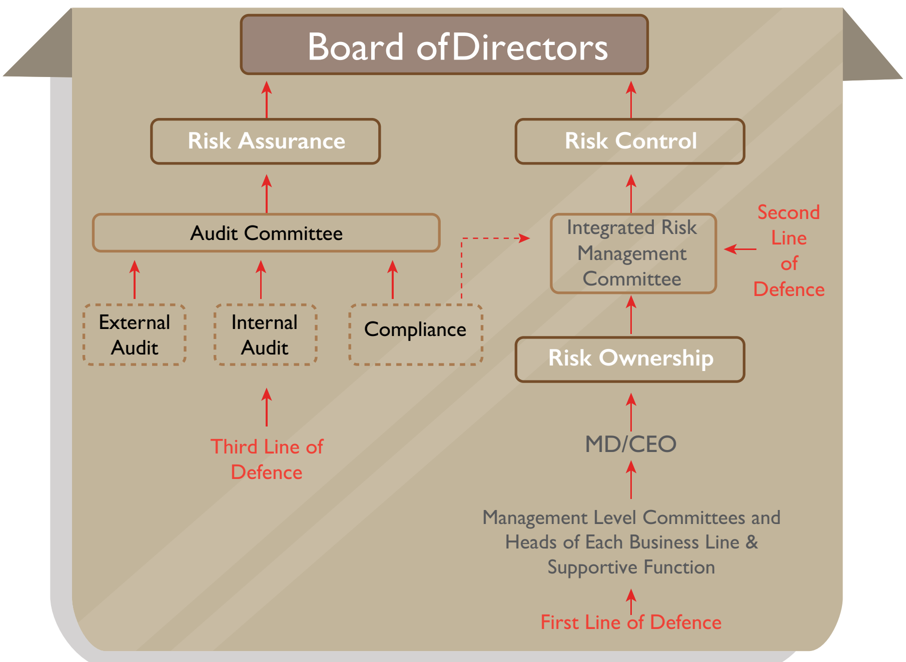
Risk Management

Risk Governance Framework

A robust governance framework is the cornerstone for the delivery of effective risk management and remains as a priority for the Company.

Governance is maintained through delegation of authority from the Board, to the Audit Committee and Integrated Risk Management Committee and down the management hierarchy. The Board of Directors has the overall responsibility for the risk management and the sub committees are responsible for the ongoing management and monitoring of risk exposure.

With the purpose of establishing a robust risk management system the Company have adopted the three lines of defense governance framework to promote clear accountability for risk taking, oversight and independent assurance within the Company.

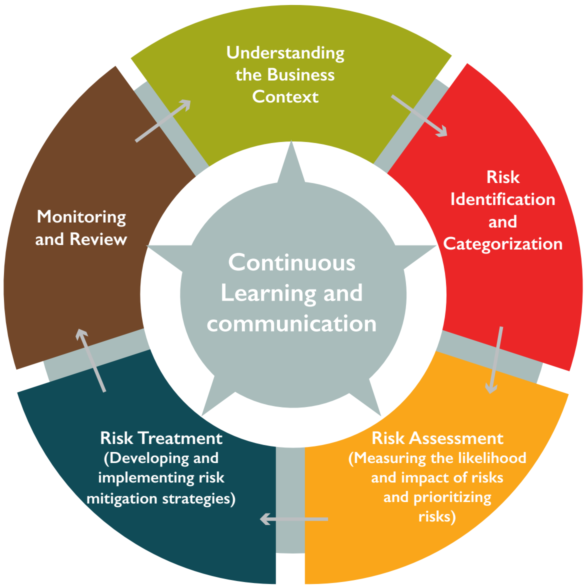


Board Committees	
Board	The Board of Directors has the ultimate responsibility for the establishment and overseeing the risk management framework of the Company. Accordingly the Board has established main sub committees namely, the Audit Committee and Integrated Risk Management Committee to assist the Board in discharging its responsibility for risk management.
Audit Committee	The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity of financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's independence, the performance of the Company's internal audit function and soundness of the internal controls and practices. The Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of the risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit.
Integrated Risk Management Committee (IRMC)	IRMC is responsible for developing and monitoring risk management policies and procedures in specified risk areas. The Committee is comprised of three Non Executive Directors, Chief Executive Officer and three representatives from the senior management who supervise major risk categories. The Committee meets on a quarterly basis to assess all aspects of risk management or more frequently as it deems necessary or appropriate to carry out its duties and responsibilities.
Management Committee	
Assets & Liability Management Committee (ALCO)	It is the main management committee and assists the Board of Directors by assessing the adequacy and monitoring the implementation of the Company's asset & liability management policies and related procedures. ALCO is primarily responsible for the management of interest rate risk, market risk, liquidity risk, capital risk and any other risk which may be specified by the IRMC. ALCO is comprised of representatives from the management who supervise major risk categories and chaired by the Chief Executive Officer. All action taken by the committee is reported to the Integrated Risk Management Committee.
Credit Committee	The Committee is responsible for formulating credit policies in consultation with business lines considering collateral requirements and credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements and establishing the authorization structure for the approval and renewal of credit facilities. The Committee also limits the concentrations of exposure to counterparties, geographies and industries (for loans and advances) by issuer, credit rating and market liquidity.

Risk Management

Risk Management Process

A risk management framework has been established to ensure that risks are identified and managed according to a consistent approach across all business areas and all risk types and all decisions are in line with the risk appetite of the Company.



The framework is also designed to ensure that policies and controls can be adapted to reflect adjustments to business strategy and risk appetite which is made in response to changing market conditions. This structured approach to identify and assess the impact of emerging risks, agree tolerances and develop mitigating strategies eventually supports the Company's aim of augmenting value for stakeholders.

Principle Risks and Mitigation Strategies

The company is primarily exposed to credit risk, liquidity risk, interest rate risk, operational risk, legal risk, reputational risk, compliance risk and capital risk and approaches of managing them are detailed below.

Credit Risk

Credit risk is defined as the risk of financial loss if a borrower/ counter party fails to meet their contractual obligations.

Credit risk arises principally from the Company's lease and hire purchase facilities, gold loan advances and other loans and advances to customers. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk).

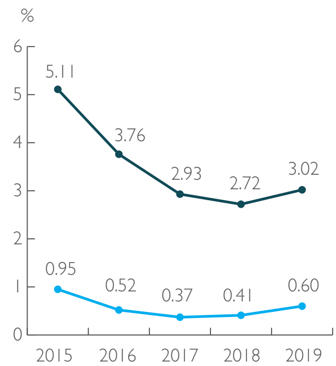
Default risk is the exposure to loss due to non-payment by a borrower of a financial obligation when it becomes payable. The Company is exposed to default risk in terms of hire purchase, leasing and other loan and advances which account for over 80% of the total assets.

Concentration risk is the risk of uneven distribution of Company's loan and advances to individual counterparties, products or geographical regions. This is a result of insufficient diversification.

Key Risk Indicators

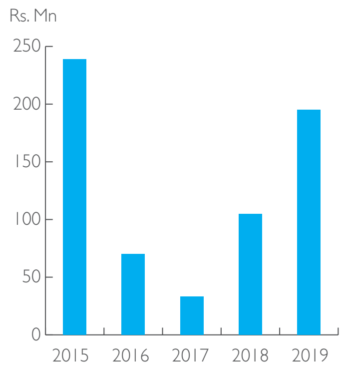
Risk indicators have been established based on the regulatory requirements and economic environment prevails in the country in order to assess the credit quality. These limits are reviewed by the IRMC quarterly or earlier if required.

Indicators of Default Risk



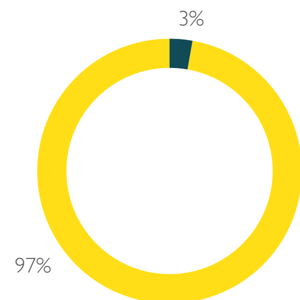
NON-PERFORMING LOANS (NPL) RATIO

- *Gross NPL*
- *Net NPL*



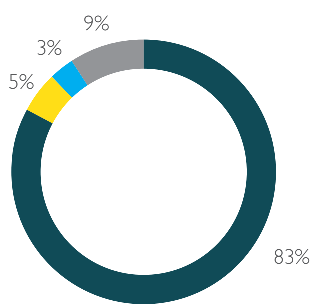
IMPAIRMENT CHARGE

Indicators of Concentration Risk



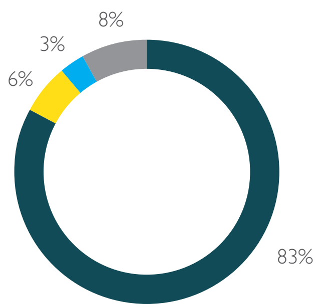
EXPOSURE TO TOP 20 CUSTOMERS - 2018

Exposure of Top 20 Customers
Exposure of Other Customers



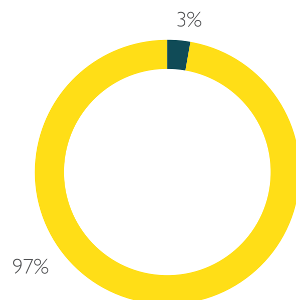
MAIN TYPES OF COLLATERALS 2018

Vehicles *Gold Loans* *Lands & Buildings*
Guarantees



MAIN TYPES OF COLLATERALS 2019

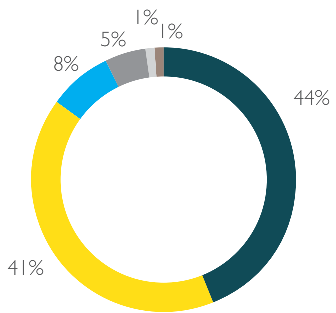
Vehicles *Gold Loans* *Lands & Buildings*
Guarantees



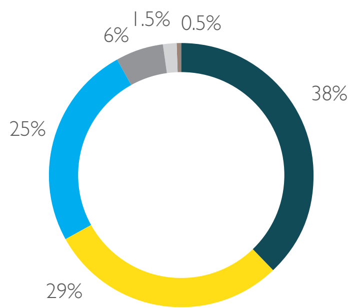
EXPOSURE TO TOP 20 CUSTOMERS - 2019

Exposure of Top 20 Customers
Exposure of Other Customers

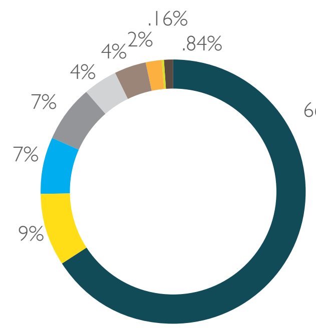
Risk Management



PRODUCT CONCENTRATION 2018



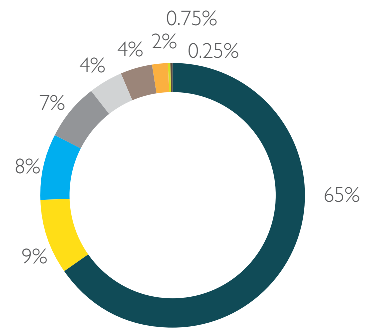
PRODUCT CONCENTRATION 2019



GEOGRAPHICAL CONCENTRATION -2018

Maturity Analysis of Lending Portfolio as at 31st March 2019 (Rs. Mn)

	Up to 3 Months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
Total Loans and Advances (Net)	6,454	12,365	15,371	4,736	32	38,957



GEOGRAPHICAL CONCENTRATION -2019

Mitigating Actions

Credit risk is managed within the risk appetite of the Company. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. The risk tolerance of the Company is low and therefore all credit is mitigated through sound credit principles, and all lending done against appropriate security, except where other factors deem that it is not necessary to obtain specific security.

Credit Committee of the Company is responsible for overseeing of the credit risk and the Credit and Recovery Departments, reporting to the Credit Committee is responsible for monitoring and managing the Company's credit risk.

Credit risk mitigation strategies undertaken by the Company are summarized below.

- Strong credit policies have been formulated in consultation with business lines, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Structured and standardized credit evaluation process has been established in order to assess credit exposures prior to facilities being committed to customers by the business line concerned.
- There is a clear authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to head of each business line. Large facilities require approval by the Board of Directors as appropriate. The delegated authority levels are reviewed periodically.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) by issuer, credit rating and market liquidity to ensure that the lending is well diversified across a wide range of products, industries and customers.
- Reviews are carried out to monitor the compliance of business lines with agreed exposure limits, including those for selected industries and product types.
- Regular reports on the credit quality of portfolios are provided to the Board which may require appropriate corrective actions to be taken.
- The credit committee provides advice, guidance and specialist skills to business lines to promote best practice throughout the Company in the management of credit risk.
- Each business line is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business line has an officer who reports all credit related matters to the management and the Credit Committee. Each business line is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central review.
- Regular audits of business lines and credit and recovery processes of the Company are undertaken by Internal Audit.

Adequacy of these risk management strategies are assessed regularly by the Credit Committee and quarterly by the IRMC.

Risk Management

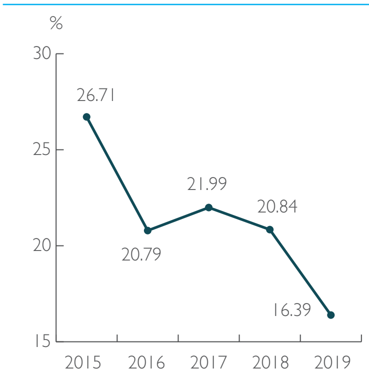
Liquidity Risk

Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations. The Company may not be able to meet its obligations due to a lack of funds or having to meet these obligations at an excessive cost. This results from maturity mismatches between assets and liabilities. The day-to-day operations of the Company are affected by liquidity flows, including the risk that the Company is unable to meet expected and unexpected payment obligations as they fall due.

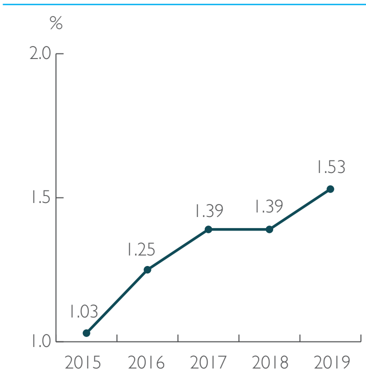
Furthermore, a risk of losses may arise as a result of the Company's difficulty in disposing of or realizing certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.

Key Risk Indicators

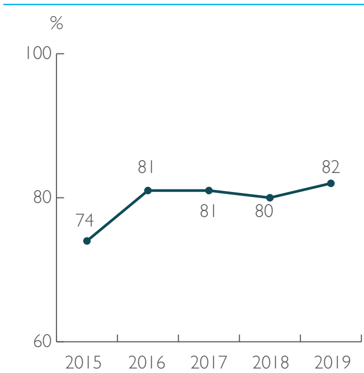
Key risk indicators used by the company to assess the liquidity position are:



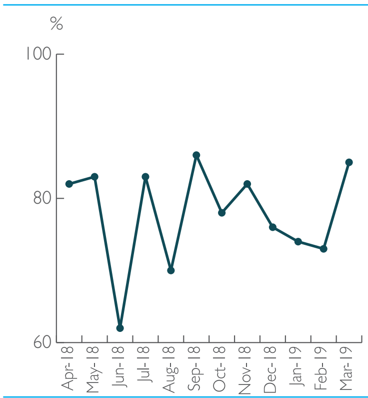
LIQUID ASSETS TO DEPOSIT RATIO



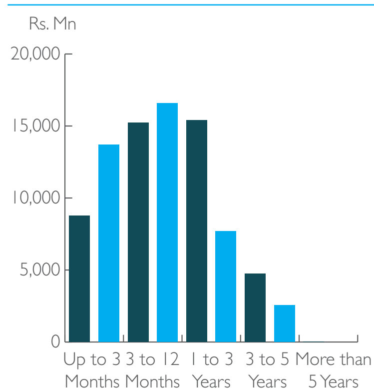
MOVEMENT IN ADVANCES TO DEPOSITS RATIO



NET LOANS TO TOTAL ASSETS RATIO

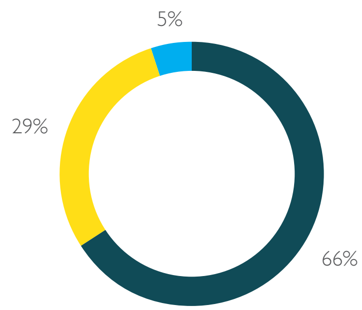


DEPOSIT RENEWAL RATE



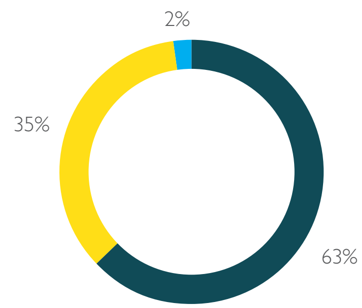
MATURITY ANALYSIS

Assets *Liabilities*



INTEREST BEARING LIABILITIES MIX 2018

- *Deposits Due to Customers*
- *Interest Bearing Borrowings*
- *Subordinated Term Debts*



INTEREST BEARING LIABILITIES MIX 2019

- *Deposits Due to Customers*
- *Interest Bearing Borrowings*
- *Subordinated Term Debts*

Mitigating Actions

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The main liquidity risk mitigation strategies are as follows.

- The Company maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed deposits and short term government securities, to ensure that sufficient liquidity is maintained within the Company. Liquidity profile of financial assets and liabilities of each business line and details of projected cash flows arising from future business are considered in managing the liquidity.
- The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company's borrowing liabilities have maturities of over one year, deposits from customers generally have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends, thus increasing the deposit renewal ratio.
- The statutory liquidity ratio is maintained well above the regulatory limit.
- Daily liquidity is monitored and stress scenarios covering various market conditions are also considered.
- Regular ALCO meetings are held and the Committee monitors the liquidity position of the Company and liquidity management activities undertaken by the Company. ALCO reviews the overall liquidity position as shown by the weekly liquidity report and considers the impact of other inflows and outflows as they affect overall liquidity.
- A summary report, including any exceptions and remedial action taken, is submitted to Integrated Risk Management Committee. Integrated Risk Management Committee approves liquidity risk tolerances by reviewing how the Company's inability to meet its obligations when they become due as this may affect the Company's earnings, capital, and operations.

Risk Management

Capital Risk

Capital risk is the risk that the Company has insufficient capital resources to meet minimum regulatory requirements and to support credit rating, growth and strategic options of the Company.

Key Risk Indicators

Capital Adequacy Ratio

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

The Company's Capital adequacy ratios as at 31st March 2019 were 11.13% for Tier I and 12.61% for Tier I and II and are well above the minimum requirements of the Central Bank of a minimum 6% and a minimum 10% respectively, according to the new capital adequacy direction.

Capital Adequacy

As at 31 March 2019	2019* Rs. Mn	2018** Rs. Mn
Tier I Capital	5,314	3,294
Tier II Capital	707	500
Total Capital	6,021	3,794
Risk Weighted Amount for Credit Risk	42,758	31,066
Risk Weighted Amount for Operational Risk	4,989	-
Total Risk Weighted Amount	47,747	31,066
Regulatory Minimum Tier I Capital Ratio	6.00%	5.00%
Tier I Capital Ratio	11.13%	10.60%
Regulatory Minimum Total Capital Ratio	10.00%	10.00%
Total Capital Ratio	12.61%	12.21%

* according to the new capital adequacy direction

** according to the previous capital adequacy direction

Please refer pages 284 to 288 in the notes to the Financial Statements for detailed breakdown of capital adequacy ratio computation.

Mitigating Actions
Capital Management is integral to the company's approach to financial stability and embedded in the way business operates. The ALCO monitors the capital position and the capital management activities undertaken by the Company to ensure that capital levels are maintained in accordance with regulatory requirements and directives. Capital adequacy ratios are measured on a monthly basis and maintained above the minimum requirements specified by the regulator, The Central Bank of Sri Lanka.
Market Risk
Market risk is the possibility of losses to the Company from changes in market variables. Losses may result from changes in market variables such as interest rates, exchange rates, equity prices and commodity prices which will affect value of assets and liabilities or income adversely. The Company's exposure to market risk arises as a result of dealing in financial products including loans, deposits, securities, short term borrowings, long term debt, etc.
Mitigating Actions
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Overall authority for market risk is vested in Integrated Risk Management Committee (IRMC) of the Company. The Treasury is entrusted with managing the market risk including interest rate risk and liquidity risk of the Company.
Interest Rate Risk
Interest rate risk is the potential for changes in rates to reduce the Company's earnings or value. The Company is largely exposed to the interest rate risk mainly on the interest income and interest cost. Continuous volatility in market interest rate affects the Company's net interest income and net interest margin.
Mitigating Actions
Evaluation of net interest position and analysis of various interest rate scenarios are carried out in order to assess the interest rate risk faced by the Company. Regular monitoring of trends in the economy in general and interest rates in particular are carried out with a view toward limiting any potential adverse impact on the Company's earning. The ALCO approves interest rate risk tolerances by reviewing how movements in interest rates may adversely affect the Company's earnings and capital using the Company's projected earnings and capital as benchmark. The ALCO reviews interest margin trends including forecast position and the variances from the planned net interest rate margin and changes the interest rate offers according to the changes in interest rates.

Risk Management

Operational Risk

Operational risk is the prospect of loss resulting from inadequate or failed internal processes, people and systems or from external events.

This can be direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the operations of the Company.

Mitigating Actions

Severity of these operational risks is assessed regularly through identified key risk indicators such as staff turnover, insurance coverage, fraud attempts, branch /department audit ratings, etc. The information derived acts as early warning signals to identify a potential event that may harm daily business activities and the operations of the Company.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business line.

Legal Risk

Legal risk is the potential for losses due to regulatory or legal action. Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against the Company.

Mitigating Actions

Legal risk management commences from prior analysis, and a thorough understanding of and adherence to related legislation by the staff. Necessary precautions are taken at the designing stage of transactions to minimize legal risk exposure. In the event of a legal risk factor, the Legal Department of the Company takes immediate action to address and mitigate these risks.

The Company's legal division ensures that all business activities are carried out in a manner which complies with the laws and regulations applicable in the Country. Among others, the division is responsible for advising senior management on any legal issues, reviewing all contracts and agreements, examining documentation related to collateral, and representing the Company in courts of law when necessary.

Compliance Risk

Compliance risks are the potential threats to the company that resulting from non conformance with laws, regulations, rules, directions, prescribed practices and ethical standards.

Financial institutions in Sri Lanka are governed by the Central Bank of Sri Lanka which is the main regulatory body in the country. Every financial institution must obtain license from the Central Bank prior to commence finance business and continue to carry out business in compliance with the laws, directions, rules, determinations, notices, and guidelines issued by the Central Bank. Furthermore the Company should comply with other regulatory and statutory requirements governing Finance Companies, Public Listed Companies and business activities undertaken in general.

Thus, the Company operates in highly regulated environment and the Company could be adversely affected by failure to comply with existing laws and regulations or by failing to adopt changes in laws, regulations and regulatory policy.

Mitigating Actions

The Integrated Risk Management Committee has established a compliance function to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls and other prescribed practices. A separate Compliance Officer has been appointed in order to carry out the compliance function independently. Regular reviews are carried out in order to assess the Company's compliance with the regulatory and statutory requirements.

Reputational Risk

Reputational risk is that of losing public trust or the tarnishing of the Company's image in the public eye. This risk could arise from environmental, social, regulatory or operational risk factors.

We consider reputational risk as a consequence of a failure to manage other key risks arising from the business activities.

Mitigating Actions

Events that could lead to reputation risk are closely monitored, utilizing an early warning system that includes inputs from frontline staff, media reports, and internal and external market survey results.

Reputation risk management and mitigation aspects are embedded in the Company's policies and procedures, training programmes. Policies and standards relating to the conduct of the Company's business have been promulgated through internal communication and training and ensure compliance with laws, regulations, rules, directions, prescribed practices and ethical standards. A whistle blowing policy has been established to entertain employees' complaints regarding accounting, internal controls or auditing matters or if any, breaches of any law, statutory, regulatory or other ethical concerns. We are continuously committed towards maintaining and improving the standards in all the activities we undertake.

Financial STATEMENTS

STAYING STRONG

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Financial CALENDAR

ANNUAL GENERAL MEETING (AGM) CALENDAR

	2018/19	2019/20
Annual Report and Accounts for the year signed/to be signed	30th May 2019	In May 2020
Annual General Meeting to be held	28th June 2019	In June 2020

INTERIM FINANCIAL STATEMENTS CALENDAR – SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2018/19 Submitted on	2019/20 To be submitted on or before
For the three months ended / ending 30th June	26th July 2018	15th August 2019
For the six months ended / ending 30th September	07th November 2018	15th November 2019
For the nine months ended/ending 31st December	28th January 2019	15th February 2020
For the year ended/ending 31st March	23rd May 2019	31st May 2020

SIX MONTHS FINANCIAL STATEMENTS

	2018/19 Published on/to be published on or before			2019/20
	English	Sinhala	Tamil	All Three Languages To be published on or before
Six months ended 30th September	12th November 2018	13th November 2018	18th November 2018	30th November 2019
Year ended 31st March 2019	30th June 2019	30th June 2019	30th June 2019	30th June 2020

Director's Statement on Internal Control OVER FINANCIAL REPORTING

Responsibility

In line with the section 10 (2) (b) of the Finance Company direction, No 03 of 2008 as amended by the Direction No. 06 of 2013, the Board of Directors presents this report on Internal Control Financial Reporting.

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

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

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

The management assists the Board in the implementation of the policies and procedures on risk and control, by identifying and assessing the risks faced, and in design, operation and monitoring of suitable internal controls over financial reporting to mitigate and control these risks. Internal controls over financial reporting are checked by the Internal Auditors of the Company for suitability of design and effectiveness on an ongoing basis.

Confirmation

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

External Auditors Certification

The External Auditors have submitted a certification on the process adapted by the Directors on the system of internal controls over financial reporting.

By order of the Board

R M Karunaratne
Acting Chairman

S B Rangamuwa
Managing Director

A Dadigama
Chairman
Audit Committee

30th May 2019

Statement of Director's RESPONSIBILITIES

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements are prepared in compliance with the required standards and any other requirements which apply to the Company's financial statements under any other law.

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act, No. 42 of 2011 and the relevant Directions issued in respect of Licensed Finance Companies.

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

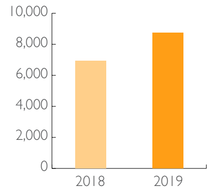
The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2019/20, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
VALLIBEL FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

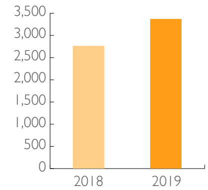
30th May 2019

Key HIGHLIGHTS



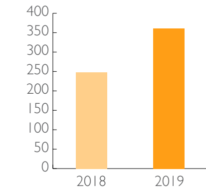
GROSS INCOME

25.9%
2018 - 6,929 Rs.Mn
2019 - 8,725 Rs.Mn



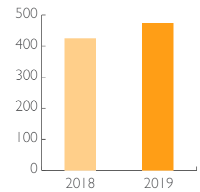
NET INTEREST INCOME

22.0%
2018 - 2,757 Rs.Mn
2019 - 3,363 Rs.Mn



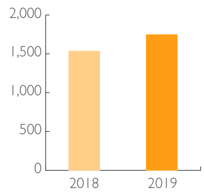
NET FEE AND COMMISSION INCOME

45.4%
2018 - 248 Rs.Mn
2019 - 361 Rs.Mn



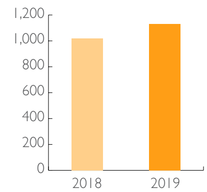
OTHER OPERATING INCOME

12.0%
2018 - 424 Rs.Mn
2019 - 475 Rs.Mn



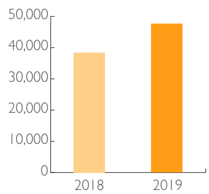
PROFIT BEFORE INCOME TAX

13.7%
2018 - 1,537 Rs.Mn
2019 - 1,748 Rs.Mn



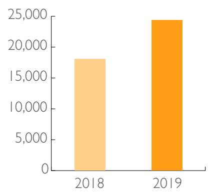
NET PROFIT

10.8%
2018 - 1,019 Rs.Mn
2019 - 1,129 Rs.Mn



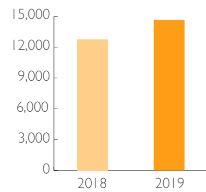
TOTAL ASSETS

24.1%
2018 - 38,406 Rs.Mn
2019 - 47,660 Rs.Mn



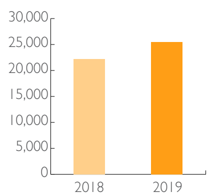
LOANS AND RECEIVABLES TO OTHER CUSTOMERS

34.6%
2018 - 18,074 Rs.Mn
2019 - 24,332 Rs.Mn



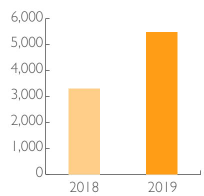
LEASE RENTAL AND HIRE PURCHASE RECEIVABLES

14.7%
2018 - 12,754 Rs.Mn
2019 - 14,625 Rs.Mn



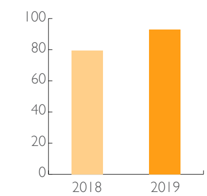
TOTAL DEPOSITS

14.6%
2018 - 22,187 Rs.Mn
2019 - 25,436 Rs.Mn



TOTAL EQUITY

65.7%
2018 - 3,301 Rs.Mn
2019 - 5,471 Rs.Mn



NET ASSETS VALUE PER SHARE

17.0%
2018 - 79.45 Rs.
2019 - 92.94 Rs.

Independent AUDITOR'S REPORT

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

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To the Shareholders of Vallibel Financial PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vallibel Financial PLC ("the Company"), which comprise the statement of financial position as at 31st March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 188 to 289 of this Annual Report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st 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 our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 IMPAIRMENT OF LOANS AND RECEIVABLES, LEASE AND HIRE PURCHASE RECEIVABLES AND TRANSITION IMPACT WITH THE ADOPTION OF SLFRS 9 – "FINANCIAL INSTRUMENTS"

Refer to the accounting policies in "Note 5.1.9 to the Financial Statement: Identification and Measurement of Impairment of Financial Assets:, Note 2.12 to the Financial Statements: Use of Judgments and Estimates:, "explanatory Note 29 to the Financial Statements: Financial Assets at amortised cost - Loans and receivables to other customers Note 30 to the Financial Statements: Financial Assets at amortised cost - Lease Rental and hire purchase receivables and Note 4.1 to the Financial Statements: SLFRS 9 - Financial Instruments"

Risk Description

As disclosed in Note 29 and 30 to the financial statements, the company has estimated Rs. 489,024,888 of impairment provision for Loan and Receivable and Rs. 687,305,770 of impairment for Lease rental and hire purchase receivables as at 31st March 2019 and there high degree of complexity and judgment involved for the company in estimating individual and collective impairment as at that date.

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

Our Response:

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

- Assessment of the methodology inherent within the impairment models against the requirements of SLFRS 9;
- Challenging the key assumptions in the ECL models and evaluating the reasonableness of Management's key judgments and estimates.
- Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and ECL models and assessment of economic information used within, and weightings applied to, forward looking scenarios;
- Recalculation of ECL for sample using the key assumptions used in the models, such as PD and LGD;
- Comparing the economic factors used in the models to market information to assess whether they were aligned with the market and economic development;
- Assessing the completeness, accuracy and relevance of disclosures in the financial statements in relation to impairment of loans and advance to customers

Independent Auditor's Report

KPMG

As permitted by the transitional provision of SLFRS 9, the impact of adopting SLFRS 9 is considered as an adjustment to equity as at 1st April 2018 (Day One), without restating the comparative information. The Note 47 to these financial statements provides the impact on transition to SLFRS 9 – "Financial Instruments" on retained earnings as at 1st April 2018.

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

- Evaluating management's process for identifying contracts to be assessed based on the selected transition approach and any practical expedients applied;
- Evaluating the appropriateness of the accounting policies based on the requirements of the new accounting standards, our business understanding and industry practice;
- Understand the transition approach and practical expedients applied and assessing whether transition gives rise to any specific fraud risks;
- Challenging the key assumptions and evaluating the reasonableness of management's key judgments and estimates made in preparing the transition adjustments;
- Assessing the completeness, accuracy and relevance of data used in preparing the transition adjustments;
- Assessing the adequacy of the disclosures made in the Financial Statements.

KPMG

2 REVALUATION OF FREEHOLD LAND AND BUILDING

Refer to the accounting policies in "Note 5.2 to the Financial Statement and Note 34 Property Plant and Equipment. As at reporting date, freehold land and building carried at fair value, classified as Property, Plant and Equipment, amounted to Rs. 1,363,467,000 and Rs. 107,500,000 respectively. The Company recorded a revaluation gain of Rs. 176, 592,194 by revaluing freehold land and building during the year.

Risk Description	Our Response:
The Company has engaged a professional valuer to determine the revalued amounts of freehold land and buildings. Estimating the fair value is a complex process involving a number of assumptions/judgments and estimates regarding various inputs such as price range per perch, by considering factors such as the location, condition and accessibility of the property. Consequently, we have determined the revaluation of freehold land and building to be a key audit matter.	Our audit Procedures included; • Assessing the competency, qualification, objectivity and independence of the external valuer. • Evaluating reasonableness of the value of the property by comparing the prices used for the land and building valuation with the comparable land and building prices based on the available information and challenging the reasonableness of the key assumptions based on our knowledge of the business and industry. • Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the land and building. • Testing whether the information supplied to external valuer by the management was consistent with the underlying property records held by the Company. • Assessing the adequacy of the fair value disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

KPMG

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 2618.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
30th May 2019

Statement of Profit or Loss and OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Page No.	Note	2019 Rs.	2018 Rs.	Change %
Gross Income	215	10	8,724,530,342	6,929,201,053	**25.9**
Interest Income	216	11.1	7,888,022,365	6,256,980,109	**26.1**
Interest Expense	217	11.2	(4,524,628,517)	(3,500,249,672)	**29.3**
Net Interest Income	215	11	3,363,393,848	2,756,730,437	**22.0**
Fee and Commission Income	217	12	361,072,091	248,286,443	**45.4**
Net Fee and Commission Income			361,072,091	248,286,443	**45.4**
Net Gain / (Loss) from Trading	217	13	(352,486)	42,217	**(934.9)**
Net Gain / (Loss) from other Financial Instruments at FVTPL	217	14	1,128,745	-	**100.0**
Other Operating Income	217	15	474,659,627	423,892,284	**12.0**
Total Operating Income			4,199,901,825	3,428,951,381	**22.5**
Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets	218	16	(195,100,737)	(104,858,877)	**86.1**
Net Operating Income			4,004,801,088	3,324,092,504	**20.5**
Expenses					
Personnel Expenses	218	17	(906,841,898)	(732,719,605)	**23.8**
Premises Equipment and Establishment Expenses			(154,026,186)	(120,543,856)	**27.8**
Other Operating Expenses			(658,314,890)	(576,435,289)	**14.2**
Operating Profit Before Taxes on Financial Services	219	18	2,285,618,114	1,894,393,754	**20.7**
Taxes on Financial Services	219	19	(536,979,738)	(356,549,591)	**50.6**
Profit Before Income Tax			1,748,638,376	1,537,844,163	**13.7**
Income Tax Expense	220	20	(619,909,904)	(519,206,769)	**19.4**
Profit for the Year			1,128,728,472	1,018,637,394	**10.8**
Earnings Per Share	221	21			
Basic Earnings Per Share			20.37	23.59	**(13.6)**
Diluted Earnings Per Share			20.37	23.59	**(13.6)**

The notes appearing on pages 188 to 289 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

For the Year Ended 31st March	Page No.	Note	2019 Rs.	2018 Rs.	Change %
Profit for the Year			1,128,728,472	1,018,637,394	**10.8**
Other Comprehensive Income, Net of Tax					
Items that will never be reclassified to Profit or Loss					
Gains / (Losses) on remeasurement of Defined Benefit Liability	257	43.3	2,581,001	(16,837,783)	**115.3**
Deferred Tax (Charge) / Reversal on Actuarial Gains / (Losses)			(722,681)	4,714,579	**(115.3)**
Net Actuarial Gains / (Losses) on Defined Benefit Liability			1,858,320	(12,123,204)	**115.3**
Revaluation of Land & Buildings			176,592,194	-	**100.0**
Deferred Tax (Charge) / Reversal on Revaluation of Land & Buildings			(49,445,814)	-	**(100.0)**
Net Change in Revaluation of Land & Buildings			127,146,380	-	**100.0**
Items that are or may be reclassified to Profit or Loss					
Fair Value Gains / (Losses) that arose during the Year, Net of Tax			-	8,709,947	**(100.0)**
Fair Value Gain Realised to the Statement of Profit or Loss and Other Comprehensive Income on disposal, Net of Tax			-	(1,875,000)	**100.0**
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income / Financial Investments - Available For Sale			-	6,834,947	**(100.0)**
Other Comprehensive Income for the Year, Net of Tax			129,004,700	(5,288,257)	**2,539.5**
Total Comprehensive Income for the Year			1,257,733,172	1,013,349,137	**24.1**

The notes appearing on pages 188 to 289 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of FINANCIAL POSITION

As at 31st March	Page No.	Note	2019 Rs.	2018 Rs.	Change %
Assets	223	23			
Cash and Cash Equivalents	233	25.1	1,507,932,892	1,021,651,531	**47.6**
Placements with Banks and Other Finance Companies	233	26	2,356,358,852	2,076,192,145	**13.5**
Reverse Repurchase Agreements			230,130,165	630,286,027	**(63.5)**
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	234	27	812,320,782	1,938,675	**41,800.8**
Assets Held for Sale	235	28	-	23,919,000	**(100.0)**
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	236	29	24,332,295,963	18,073,714,310	**34.6**
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	238	30	14,624,916,906	12,753,940,053	**14.7**
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	242	31	203,800	208,703,800	**(99.9)**
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	242	32	1,785,716,058	1,920,722,472	**(7.0)**
Financial Assets at Amortised Cost - Other Financial Assets	243	33	15,963,213	16,971,763	**(5.9)**
Property, Plant and Equipment	244	34	1,719,587,171	1,445,289,701	**19.0**
Intangible Assets	247	35	19,647,533	14,568,813	**34.9**
Deferred Tax Assets	255	41.4	73,028,603	16,019,726	**355.9**
Other Assets	248	36	181,423,647	202,358,542	**(10.3)**
Total Assets			47,659,525,585	38,406,276,558	**24.1**

As at 31st March	Page No.	Note	2019 Rs.	2018 Rs.	Change %
Liabilities	223	23			
Bank Overdrafts	233	25.2	1,566,068,720	1,839,144,681	**(14.8)**
Rental Received in Advance			324,196,627	308,688,009	**5.0**
Financial Liabilities at Amortised Cost - Deposits due to Customers	248	37	25,436,257,664	22,186,879,453	**14.6**
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	249	38	12,497,221,353	8,011,421,404	**56.0**
Subordinated Term Debts	253	39	1,031,100,274	1,550,967,094	**(33.5)**
Current Tax Liabilities	254	40	509,696,461	364,888,378	**39.7**
Deferred Tax Liabilities	255	41.3	343,733,661	385,537,287	**(10.8)**
Other Liabilities	256	42	411,165,825	400,427,054	**2.7**
Retirement Benefit Obligations	256	43	69,131,811	57,213,310	**20.8**
Total Liabilities			42,188,572,396	35,105,166,670	**20.2**
Equity					
Stated Capital	258	44	1,325,918,000	287,153,000	**361.7**
Statutory Reserve Fund	259	45	957,881,867	732,136,173	**30.8**
Other Reserves	259	46	134,646,380	7,500,000	**1,695.3**
Retained Earnings	260	47	3,052,506,942	2,274,320,715	**34.2**
Total Equity			5,470,953,189	3,301,109,888	**65.7**
Total Liabilities and Equity			47,659,525,585	38,406,276,558	**24.1**
Net Assets Value Per Share (Rs.)			92.94	79.45	**17.0**

The notes appearing on pages 188 to 289 are an integral part of these Financial Statements.

Certification

These Financial Statements have been prepared in compliance with the requirements of the Companies Act, No.07 of 2007.

K.D. Menaka Sameera
Senior DGM - Finance & Administration

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.
Approved and signed for and on behalf of the Board ;

Dhammika Perera
Executive Director

S.B. Rangamuwa
Managing Director

30th May 2019,
Colombo.

Statement of CHANGES IN EQUITY

	Stated Capital Rs.	Statutory Reserve Fund Rs.
Balance as at 01st April 2017	287,153,000	528,408,694
Total Comprehensive Income for the Year		
Profit for the Year	-	-
Other Comprehensive Income, net of Tax		
Net Fair Value Gains / (Losses) on remeasuring Available For Sale Financial Assets	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability	-	-
Total Comprehensive Income for the Year	-	-
Transactions with owners of the Company		
Contributions and distributions		
Dividends to equity holders		
First and Final Dividend for 2016/17	-	-
Interim Dividend for 2017/18	-	-
Unclaimed Dividend Adjustments	-	-
Statutory Reserve Transfer	-	203,727,479
Total Contributions and distributions	-	203,727,479
Balance as at 01st April 2018	287,153,000	732,136,173
Adjustment on initial application of SLFRS 9, net of tax	-	-
Restated balance as at 01st April 2018	287,153,000	732,136,173
Total Comprehensive Income for the Year		
Profit for the Year	-	-
Other Comprehensive Income, net of Tax		
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability	-	-
Net Change in Revaluation of Land & Buildings	-	-
Total Comprehensive Income for the Year	-	-
Transactions with owners of the Company		
Contributions and distributions		
Proceeds from the Right Issue of Ordinary Shares	1,038,765,000	-
Transaction Cost of Right Issue of Ordinary Shares	-	-
Dividends to equity holders		
Unclaimed Dividend Adjustments	-	-
Statutory Reserve Transfer	-	225,745,694
Total Transactions with Equity Holders	1,038,765,000	225,745,694
Balance as at 31st March 2019	1,325,918,000	957,881,867

The notes appearing on pages 188 to 289 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Revaluation Reserve Rs.	Available For Sale Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
-	(6,834,947)	7,500,000	1,741,393,235	2,557,619,982
-	-	-	1,018,637,394	1,018,637,394
-	6,834,947	-	-	6,834,947
-	-	-	(12,123,204)	(12,123,204)
-	6,834,947	-	1,006,514,190	1,013,349,137
-	-	-	(124,651,800)	(124,651,800)
-	-	-	(145,427,100)	(145,427,100)
-	-	-	219,669	219,669
-	-	-	(203,727,479)	-
-	-	-	(473,586,710)	(269,859,231)
-	-	7,500,000	2,274,320,715	3,301,109,888
-	-	-	(124,873,602)	(124,873,602)
-	-	7,500,000	2,149,447,113	3,176,236,286
-	-	-	1,128,728,472	1,128,728,472
-	-	-	-	-
-	-	-	1,858,320	1,858,320
127,146,380	-	-	-	127,146,380
127,146,380	-	-	1,130,586,792	1,257,733,172
-	-	-	-	1,038,765,000
-	-	-	(1,876,867)	(1,876,867)
-	-	-	95,598	95,598
	-	-	(225,745,694)	-
-	-	-	(227,526,963)	1,036,983,731
127,146,380	-	7,500,000	3,052,506,942	5,470,953,189

Statement of CASH FLOW

For the Year Ended 31st March	2019 Rs.	2018 Rs.
Cash Flow from Operating Activities		
Interest and Commission Receipts	8,311,703,438	6,516,301,106
Interest Payments	(4,230,522,245)	(3,187,481,744)
Cash Receipts from Customers	394,591,224	516,790,349
Cash Payments to Employees and Suppliers	(2,125,306,917)	(1,652,867,812)
Operating Profit Before Changes in Operating Assets and Liabilities (Note A)	2,350,465,500	2,192,741,899
(Increase) / Decrease in Operating Assets		
Short Term Funds	33,915,400	27,218,767
Deposits held for Regulatory or Monetary Control Purposes	702,628,000	(491,526,466)
Financial assets at amortised cost – Loans and advances / Lease rental & Hire purchase receivables	(8,479,151,182)	(6,083,909,064)
Other Short Term Negotiable Securities	(1,052,437,665)	116,358,735
Increase / (Decrease) in Operating Liabilities		
Financial liabilities at amortised cost – Due to depositors	3,222,089,837	3,714,910,336
Financial liabilities at amortised cost – Certificate of Deposits	(82,539,102)	326,409,931
Net Cash (Used in) / Generated from Operating Activities before Income Tax	(3,305,029,212)	(197,795,862)
Current Taxes Paid	(575,520,858)	(251,421,553)
Gratuity Paid	(2,990,043)	(930,975)
Net Cash (Used in) / Generated from Operating Activities	(3,883,540,113)	(450,148,390)
Cash Flows from Investing Activities		
Dividends Received	78,432	276,562
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	-	(343,320)
Proceed from Sale of Property , Plant and Equipment	37,972,313	6,441,373
Purchase of Property, Plant and Equipment	(205,046,405)	(1,202,415,357)
Purchase of Intangible Assets	(10,773,457)	(7,918,331)
Net Cash (Used in) / Generated from Investing Activities	(177,769,117)	(1,203,959,073)
Cash Flows from Financing Activities		
Net Increase / (decrease) in Financial liabilities at amortised cost – Interest bearing Borrowings	3,783,682,823	1,787,460,522
Proceeds from the Right Issue of Ordinary Shares - Net of Transaction cost	1,036,888,133	-
Dividend Paid	-	(270,078,900)
Unclaimed Dividend Adjustments	95,598	219,669
Net Cash (Used in) / Generated from Financing Activities	4,820,666,554	1,517,601,291
Net Increase / (Decrease) in Cash & Cash Equivalents	759,357,323	(136,506,172)
Cash & Cash Equivalents at the Beginning of the Year	(817,493,150)	(680,986,979)
Cash & Cash Equivalents at end of the Year (Note B)	(58,135,828)	(817,493,150)

For the Year Ended 31st March	2019 Rs.	2018 Rs.
Note A		
Reconciliation of Operating Profit Before Changes in Operating Assets and Liabilities		
Profit Before Income Tax	1,748,638,376	1,537,844,163
Amortisation of Intangible Assets	5,694,737	3,647,297
Accrual for Interest Expense	294,106,272	312,767,929
Accrual for Interest Income	1,687,268	128,773,102
Accrual for Other Payable	36,723,984	56,264,888
Depreciation of Property, Plant and Equipment	87,556,961	71,140,707
Impairment Charges and Other Credit Losses on Financial Assets	195,100,737	104,858,877
Dividend Income	(78,432)	(276,562)
Unrealised Fair Value (gains) / losses on Financial Instruments measured at Fair Value Through Profit / Loss	352,486	165,945
Unrealised Fair Value (gains) / losses on Other Financial Instruments measured at Fair Value Through Profit / Loss	(1,128,745)	-
Gain / (Loss) on Disposal of Property, Plant & Equipment	(18,188,144)	(5,352,809)
Notional Tax Credit on Government Securities	-	(17,091,638)
	2,350,465,500	2,192,741,899
Note B		
Cash & Cash Equivalents at the end of the Year		
Cash in Hand and at Banks	1,507,932,892	1,021,651,531
Bank Overdrafts	(1,566,068,720)	(1,839,144,681)
	(58,135,828)	(817,493,150)

The notes appearing on pages 188 to 289 are an integral part of these Financial Statements..

Figures in brackets indicate deductions.

Notes to the FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1 Corporate Information

Vallibel Finance PLC (the 'Company'), regulated under the Finance Business Act No. 42 of 2011, was incorporated on 5th September 1974 as a Public Limited Liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 under the Company Registration No. PB 526/PQ.

The registered office of the Company is situated at No. 310, Galle Road, Colombo 03 and the principal place of business is situated at the same place.

The Company was listed on the Main Board of the Colombo Stock Exchange on 4th May 2010.

The Staff strength of the Company as at 31st March 2019 was 923 (849 as at 31st March 2018).

Corporate information is presented in the page 308 of this Annual Report.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company are accepting deposits, granting finance leases, hire purchase, granting of mortgage loans, granting of vehicle loans, granting of personal loans, gold loans, micro finance and other credit facilities.

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

1.3 Parent Entity and Ultimate Parent Entity

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited, which is incorporated in Sri Lanka.

2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

This is the first set of the Company's annual financial statements in which SLFRS 9 – "Financial Instruments" and SLFRS 15 – "Revenue from Contracts with Customers" have been applied. Changes to significant accounting policies are described in Note 04.

2.2 Responsibility for Financial Statements

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

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Director's Responsibilities" and the Certification on the Statement of Financial Position.

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.

- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of 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 utilisation of those cash flows.
- notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31st March 2019 (including comparatives for 2018) were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 30th May 2019.

2.4 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis except for the following material items stated in the Statement of Financial Position.

Policy Applicable prior to 01st April 2018

- Held for trading financial instruments are measured at fair value.
- Financial investments – Available for sale measured at fair value.

Policy Applicable from 01st April 2018

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

2.5 Functional and Presentation Currency

Items included in these Financial Statements of the Company are measured using the currency of the primary Economic environment in which the Company operates (the Functional Currency).

There was no change in the Company's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Company's Functional and Presentation Currency.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

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

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements" and amendments to the LKAS 01 on "Disclosure initiative", which was effective from 01st January 2016.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Company.

2.8 Going Concern Basis for Accounting

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

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial

Notes to the Financial Statements

Statements of the Company continue to be prepared on a going concern basis.

2.9 Offsetting

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

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

2.10 Rounding

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

2.11 Comparative Information

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

The Company has not restated the 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) and is not comparable to the information presented for 2018/19. Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of 01st April 2018 and are disclosed in notes to the Financial Statements.

2.12 Use of Judgments and Estimates

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the Management has made judgments, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Significant areas of estimation uncertainty, assumptions and critical judgments in applying Accounting Policies that have most significant effects on amounts recognised in the Financial Statements of the Company are as follows:

A. Judgments

Information about judgments made in applying Accounting Polices for that have the most significant effects on the amounts recognised in these Financial Statements is included in the following notes.

2.12.1 Classification of Financial Assets and Liabilities

Policy Applicable from 01st April 2018

As per SLFRS 9, the Significant Accounting Policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The company's business model for managing the financial assets as set out in Note 5.1.3.1
- The contractual cash flow characteristics of the financial assets as set out in Note 5.1.3.2

Policy Applicable prior to 01st April 2018

The Significant Accounting Policies of the Company provide scope for assets to be classified at inception into different accounting categories under certain circumstances as per LKAS 39.

- In classifying financial assets or liabilities at 'Fair value through profit or loss' (FVTPL), the Company has determined that it has met the criteria for this designation set out in Note 5.1.3.5.
- In classifying financial assets as 'Held to maturity' (HTM), the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date.
- In classifying financial assets as 'Available for sale' (AFS), the Company has determined that all non-derivative financial assets that are designated as available for sale or those financial assets not classified as loans and receivables, FVTPL or HTM be classified as AFS.

B. Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting material adjustments are included in the following notes.

2.12.2 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recognized on the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

2.12.3 Impairment Losses on Financial Assets

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

As per LKAS 39, the Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss and Other Comprehensive Income. In particular, the Management's judgement 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 hence actual results may differ, resulting in future changes to the impairment allowance made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired

As per SLFRS 9, the Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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2.12.4 Impairment Losses on Financial Investments - Available for Sale (AFS)

(Policy Applicable prior to 01st April 2018)

The Company reviewed the equity investments and debt securities classified as available for sale investments at each Reporting date to assess whether they are impaired. This required similar judgments as applied on the individual assessment of loans and advances.

The Company recorded impairment charges on available for sale equity investments and debt securities when there had been a significant or prolonged decline in the fair value below their cost along with the historical price movements and duration and extent to which the fair value of an investment is less than its cost.

2.12.5 Impairment of Non Financial Assets

The Company assesses whether there are any indicators of impairment for an asset or a Cash-Generating Unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate doing so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires management to make an estimate of the expected future cash flows from the asset or the CGU 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 rate, and hence, they are subject to uncertainty.

2.12.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions determining the discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

2.12.7 Deferred Tax Assets

Deferred tax assets are recognised in respect of loan impairment allowances which will be recovered in the foreseeable future and tax losses to the extent it is probable that future taxable profits will be available against which such losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax planning strategies.

2.12.8 Useful Life time of the Property, Plant & Equipment

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

2.12.9 Provisions for Liabilities, Commitments and Contingencies

The Company receives legal claims 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 depends on the due processes in respective legal jurisdictions.

2.13 Events after the Reporting period

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.

In this regard, all material and important events that occurred after the Reporting Period have been considered and appropriate disclosures are made in the Financial Statements where necessary.

3 FAIR VALUE MEASUREMENT

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

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

Level 1

Inputs that are quoted (unadjusted) market prices in active markets for identical assets or liabilities.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for 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;

- quoted prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

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

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

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

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

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

4 CHANGES IN ACCOUNTING POLICIES

The Company has initially adopted SLFRS 9 and SLFRS 15 from 1st April 2018. Due to the transition method chosen by the Company in applying SLFRS 9, comparative information throughout these Financial Statements has not been restated to reflect its requirements.

The adoption of SLFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Company. Accordingly the impact on the comparative information is limited to new disclosure requirements.

Notes to the Financial Statements

The effect of initially applying these standards is mainly attributed to the following:

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

The impact on classification and measurement of Financial Assets due to the adoption of SLFRS 9 is disclosed in Note 4.1.

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

4.1 SLFRS 9 – "Financial Instruments"

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 "Financial Instruments: Recognition and Measurement". The requirements of SLFRS 9 represent a significant change from LKAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of SLFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 23.3.

Classification of Financial Assets and Financial Liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous LKAS 39 categories of Held to Maturity, Loans and Receivables and Available for Sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

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

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

Impairment of Financial Assets

SLFRS 9 replaces the "Incurred Loss" model in LKAS 39 with an "Expected Credit Loss" model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

Transition

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

- The Company used the exemption not to restate comparatives. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings as at 1st April 2018. Accordingly, the information presented for 2017/18 does not reflect the requirements of SLFRS 9 and therefore is not comparable to the information presented for 2018/19 under SLFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

4.2 SLFRS 15 – "Revenue from Contracts with Customers"

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 – "Revenue", LKAS 11 – "Construction Contracts" and related interpretations. The Company initially applied SLFRS 15 on 1st April 2018 retrospectively in accordance with LKAS 8 without any practical expedients. The timing or amount of the Company's fee and commission income from contracts with customers was not impacted by the adoption of SLFRS 15. The impact of SLFRS 15 was limited to the new disclosure requirements.

5 SIGNIFICANT ACCOUNTING POLICIES – RECOGNITION OF ASSETS AND LIABILITIES

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

5.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

5.1.1 Date of Recognition

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

5.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

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

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

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

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

5.1.2.1 "Day 1" Profit or Loss

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

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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.

5.1.3 Classification and Subsequent Measurement of Financial Assets

From 1st April 2018 as per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the assets contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Up to 01st April 2018 as per LKAS 39, the Company classified its financial assets into one of the following categories:

- Financial Assets at Fair value through profit or loss, and within this category as :
  - o held for trading ; or
  - o designated at fair value through profit or loss
- Loans and receivables;
- Held to maturity and
- Available for Sale

Details of the impact on reclassification and measurement from LKAS 39 to SLFRS 9 are disclosed in transition disclosures given in Note 23.3.

5.1.3.1 Business Model Assessment

With effect from 01st April 2018, the Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

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

5.1.3.2 Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

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

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.

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

5.1.3.3 Financial assets measured at Amortised Cost

As per SLFRS 9, financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets measured at amortised cost include Lease Rental and Hire Purchase Receivables, Loans and Receivables to other Customers, Placements with Banks and other Finance Companies, Cash and Cash Equivalents, Reverse Repurchase Agreements and Debt & other financial instruments.

As per LKAS 39, 'Loans and receivables' comprised of non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

Even though the classification definition varies with SLFRS 9, the measurement criteria remain the same under both standards.

When the Company is the lessor in a lease agreement that transfers substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment are classified as "Lease Rental Receivable" in the Statement of Financial Position.

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

After initial measurement, financial assets measured at amortised cost are subsequently measured at gross carrying amount using

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the EIR, less provision for impairment, except when the Company designates at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment charges and other losses" in the Statement of Profit or Loss and Other Comprehensive Income.

5.1.3.3.1 Reverse Repurchase Agreements

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date, the arrangement is called "Reverse Repurchase Agreements" and accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Company.

5.1.3.3.2 Cash and Cash Equivalents

Cash and cash equivalents include of cash in hand and balance at banks and other highly liquid financial assets which are held for the purpose of meeting short-term commitments with original maturities of less than three months which are subject to an insignificant risk of changes in their fair value. There were no cash and cash equivalents held by the Company that were not available for use by the Company.

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.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

5.1.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

These instruments comprise Government Securities that had previously been classified as available for sale under LKAS 39.

Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise unquoted shares that had been previously classified as Available for sale under LKAS 39.

5.1.3.5 Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised 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.

As per LKAS 39, financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

5.1.3.5.1 Financial assets Held for Trading

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

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

5.1.3.6 Financial investments – Held to Maturity (Up to 31st March 2018)

As per LKAS 39, Held to Maturity financial investments were non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company had the intention and ability to hold to maturity and which are not designated at Fair value through profit or loss or Available for Sale. After initial measurement, held to maturity financial investments were subsequently measured at amortised cost using the EIR, less impairment provision. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss and Other Comprehensive Income in 'Impairment charges for loans and other losses'.

5.1.3.7 Financial investments – Loans & Receivables (Up to 31st March 2018)

As per LKAS 39, After initial measurement, 'loans and advances' were subsequently measured at amortised cost using the EIR, less provision for impairment except when the Company designates loans and receivables at fair value through profit or loss. Amortised cost was calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income'. The losses arising from impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income in 'Impairment charges for loans and other losses' in the Statement of Profit or Loss and Other Comprehensive Income.

Other financial investments classified as loans and receivables included debt instruments. After initial measurement, these were subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost was calculated by taking into account any discount or premium on acquisition and fees and costs that were an integral part of the EIR. The amortisation was included in 'Interest Income' in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment were recognised in the Statement of Profit or Loss and Other Comprehensive Income in 'Impairment charges for loans and other losses'.

5.1.3.8 Available for Sale Financial Investments (Up to 31st March 2018)

As per LKAS 39, Available for sale investments included equity securities and debt securities. Equity investments classified as Available for Sale were those which were neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category were intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

Unrealised gains and losses were recognised directly in Equity through Other Comprehensive Income in the 'Available-For-Sale Reserve'. When these financial investments were disposed of, the cumulative gain or loss previously recognised in Equity is recycled to Statement of Profit or Loss and Other Comprehensive Income in 'Operating income'. Interest earned whilst holding Available for Sale financial investments was reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available for Sale financial investments were recognised in the Statement of Profit or Loss and Other Comprehensive Income as 'Net Gain / (Loss) from financial investments' when the right to receive the payment has been established. The losses arising from impairment of such investments too are recognised in the Statement of Profit or Loss and Other Comprehensive Income in 'Impairment charges for loans and other losses' and removed from the 'Available for Sale reserve'.

5.1.4 Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 9, the Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial Liabilities at fair value through profit or loss, and within this category as :
    - o Held for trading; or
    - o Designated at fair value through profit or loss.
- Financial Liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

5.1.4.1 Financial Liabilities at Fair Value through Profit or Loss

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

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

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at fair value through profit or loss" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the EIR.

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

5.1.4.2 Financial Liabilities at Amortised Cost

Financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Deposits Due to Customers ','Subordinated Term Debts' or 'Interest Bearing Borrowings' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

The EIR amortisation is included in 'Interest Expense' in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses are recognised in Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised as well as through the EIR amortisation process.

5.1.5 Reclassification of Financial Assets and Liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes 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.

5.1.5.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

5.1.5.2 Measurement of reclassification of financial assets

5.1.5.2.1 Reclassification of Financial Instruments - Fair value through profit or loss

- To Fair value through other comprehensive income

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.

- To Amortised Cost

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

5.1.5.2.2 Reclassification of Financial Instruments - Fair value through other comprehensive income

- To Fair value through profit or loss

The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortised Cost

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

5.1.5.2.3 Reclassification of Financial Instruments at "Amortised Cost"

- To Fair value through other comprehensive income

The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

5.1.6 De recognition of Financial Assets and Financial Liabilities

5.1.6.1 Financial Assets

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

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

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities as per SLFRS 9.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Company has retained.

5.1.6.2 Financial Liabilities

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

5.1.7 Offsetting of Financial Instruments

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

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

5.1.8 Amortised Cost and gross Carrying amount

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

5.1.9 Identification and Measurement of Impairment of Financial Assets

5.1.9.1. Overview of the ECL principles

As per SLFRS 9, the Company records an allowance for expected credit losses for lease rental and hire purchase receivables , loans and receivables to other customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income.

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 significant increases 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 Company recognises an allowance for LTECL, with probability of default at 100%.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Company does not have POCI loans as at the reporting date.

5.1.9.2 Measurement of ECL

The Company recognizes loss allowances for Expected Credit Losses (ECL) on financial investments that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular Company remain appropriately homogeneous.

Notes to the Financial Statements

The key judgments and assumptions adopted by the Company in addressing the requirements of SLFRS 9 are discussed below:

5.1.9.3 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 without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

5.1.9.4 Definition of default and credit impaired assets

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) ; or
- the borrower is past due equal more than 180 days on any material credit obligation to the Company. , In determination of default the Company largely aligns with the regulatory definition of default which is 180 days and above.

5.1.9.5 Movement between the stages

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

5.1.9.6 Grouping financial assets measured on collective basis

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

5.1.9.7 Incorporating Forward Looking Information

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

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

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes. Such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic variables used by the Company based on the statistical significance include the followings:

Unemployment Rate	Base case scenario along with two other scenarios has been used (Best Case and worst Case)
Interest Rate	
GDP growth Rate	
Inflation Rate	

5.1.9.8 Identification and measurement of impairment of financial assets under LKAS 39

At each Reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. 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.

Objective evidence that financial assets (including equity securities) are impaired can include:

- significant financial difficulty of the borrower or issuer,
- reschedulement of credit facilities,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- Other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

5.1.9.8.1 Impairment of Financial Assets carried at Amortised Cost

The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

5.1.9.8.2 Impairment of Financial Investments - Available for Sale

For available for sale financial investments, the Company assesses at each Reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets too is recorded within 'Interest income'.

If, in a subsequent period, the fair value of an impaired available-for-sale debt instrument increases and the increase can be

Notes to the Financial Statements

objectively related to an event occurring after the impairment loss was recognised, then such impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI. Any subsequent recovery in the fair value of an available-for-sale equity instrument was recognised in OCI.

5.2 Property, Plant & Equipment

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets (including buildings under operating leases where the Company is the lessor) which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

5.2.1 Basis of Recognition

Property, Plant & Equipment is recognized if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

5.2.2 Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing).The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

- Cost Model

The Company applies the Cost Model to all Property, Plant & Equipment except freehold land and buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

- Revaluation Model

The Company applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Statement of Profit or Loss and Other Comprehensive Income. In this circumstance, the increase is recognised as income only to the extent of the amounts written down previously. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

The Company revalued all its freehold land and buildings as at 31st March 2019. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in notes to Financial Statements.

5.2.3 Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

5.2.4 Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Freehold Buildings	15 years
Buildings on Leasehold Land	15 years
Computer Equipment	4 years
Furniture & Fittings	4 years
Office Equipment	4 years
Freehold Motor Vehicles	4 years
Leasehold Motor Vehicles	4 years

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

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

5.2.5 De-recognition

An item of Property, Plant & Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in 'Other Operating Income' in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

5.2.6 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

5.3 Borrowing Costs

As per the Sri Lanka Accounting Standard – LKAS 23 on "Borrowing Costs", the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

5.4 Intangible Assets

The Company's intangible assets include the value of Computer Software.

5.4.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

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5.4.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

5.4.3 Amortisation of Intangible Assets

Intangible assets are amortised using the straight line method to write down the cost over its estimated useful economic lives specified below:

Computer Software	4 years

5.4.4 Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

5.5 Leases

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

5.5.1 Finance Leases

5.5.1.1 Finance Leases – Company as a Lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Company, are classified as finance leases and capitalised 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.

A leased asset is 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.

5.5.1.2 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 'Lease rentals receivables, as appropriate. 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.

5.5.2 Operating Leases

5.5.2.1 Operating Leases – Company as a Lessee

Leases that do not transfer to the Company substantially all risks and benefits incidental to ownership of the leased assets are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

5.5.2.2 Operating Leases – Company as a Lessor

Leases where the Company does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases. 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.

5.6 Impairment of Non-Financial Assets

At each Reporting date, the Company reviews the carrying amounts of its non – financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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.

An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

5.7. Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

5.8. Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors as per the Company's Articles of Association. Interim dividends are deducted from Equity when they are declared by the Board of Directors.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard - LKAS 10 on 'Events after the reporting period'.

5.9 Deposits due to Customers

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

5.10 Debt Securities Issued and Subordinated Term Debts

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

5.11 Other Liabilities

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

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5.12 Provisions

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

5.12.1 Provisions for Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Company which do not relate directly to amounts of principal outstanding for loans and advances.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

5.13. Employee Benefits

5.13.1 Defined Benefit Plan (DBP) - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefit falling due more than 12 months after the reporting date are discounted to present value.

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits".

Actuarial gains and losses in the period in which they occur have been recognise in the other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19- "Employee Benefits".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

The company is liable to pay gratuity in terms of the relevant statute.

The gratuity liability is not externally funded.

5.14 Defined Contribution Plans (DCPs)

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

5.14.1 Employees' Provident Fund (EPF)

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

5.14.2 Employees' Trust Fund (ETF)

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

5.15 Earnings per Share (EPS)

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

5.16 Segment Reporting

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

For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Company basis and are not allocated to operating segments.

Detailed information on the results of each reportable segment as required by the Sri Lanka Accounting Standard – SLFRS 8 "Operating Segments" is provided in Notes to the Financial Statements.

5.17 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 as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

Operating lease commitments of the Company form part of commitments and pending legal claims against the Company form part of contingencies.

6 SIGNIFICANT ACCOUNTING POLICIES – RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

6.1 Net Interest Income

Policy applicable from 1st April 2018

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

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

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

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

Amortised cost and gross carrying amount

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

Notes to the Financial Statements

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

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

Policy applicable before 1st April 2018

Interest income and expense are recognised in Statement of Profit or Loss using the effective interest rate (EIR) method.

The EIR 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.

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

When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

- Interest on Held for trading financial instruments calculated using EIR method;
- Interest on Loans and receivables calculated using EIR method;
- Interest on Available for sale investments calculated using EIR method;
- Interest on Held to maturity investments calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

6.2 Fee and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR of a financial asset or liability are capitalized and included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

6.3 Net Gain / (Loss) from Trading

'Net gain / (loss) from trading' comprise gains less losses related to trading assets and liabilities, and include all realised and unrealised fair value changes and dividends.

6.4 Net Gain / (Loss) from derecognition of Financial Assets

'Net gains/(losses) from derecognition of financial assets' comprised realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost as per SLFRS 9 after 01st April 2018.

As per LKAS 39, this included realised gains less losses related to available-for-sale investments, held-to-maturity investments, and loans and receivables.

6.5 Rental Income and Expenses

Rental income and expense are recognised in profit or loss on an accrual basis.

7. SIGNIFICANT ACCOUNTING POLICIES – INCOME TAX EXPENSE

7.1 Tax Expense

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

7.1.1 Current Tax

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted, at the Reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 effective from 01st April 2018. Notes to Financial Statements include the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

7.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised 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;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available, against which they can be used.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

7.3 Value Added Tax (VAT) on Financial Services

The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

7.4 Nation Building Tax (NBT) on Financial Services

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 as explained in notes to the Financial Statements.

Notes to the Financial Statements

7.5 Debt Repayment Levy (DRL) on Financial Services

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 7.3 above.

7.6 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

7.7 Withholding Tax on Dividends Distributed by the company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

7.8 Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01, 2004. Currently, the ESC is payable at 0.50% on 'Liable Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in three subsequent years (including the year of assessment in which the payment is due).

8 SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

8.1 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS- 07 "Cash Flow Statements". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and favorable balances with banks.

9 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

Sri Lanka Accounting Standard – SLFRS 16 "Leases" which has been issued but not yet effective as at the reporting date, has not been applied in preparing these Financial Statements. The Company plans to apply these standards on the respective effective date:

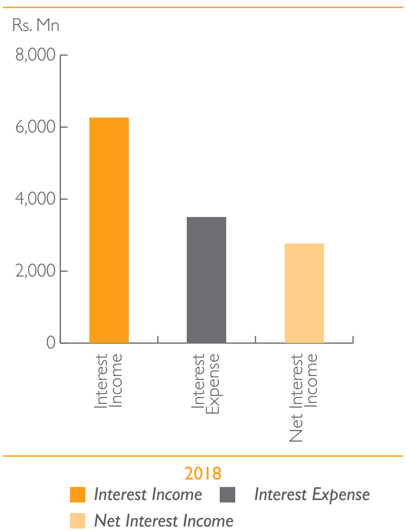
- SLFRS 16 "Leases"

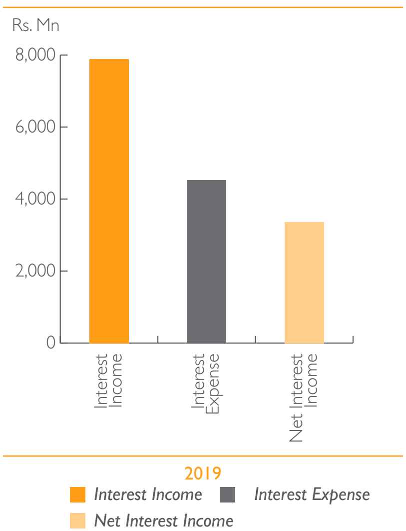
SLFRS 16 eliminates the current dual accounting model for leases which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual Reporting periods beginning on or after 01st January 2019.

The Company is in the process of assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

For the Year Ended 31st March	2019 Rs.	2018 Rs.
10 GROSS INCOME		
Interest Income (Note 11.1)	7,888,022,365	6,256,980,109
Fee and Commission Income (Note 12)	361,072,091	248,286,443
Net Gain / (Loss) from Trading (Note 13)	(352,486)	42,217
Net Gain / (Loss) from other Financial Instruments at FVTPL (Note 14)	1,128,745	-
Other Operating Income (Note 15)	474,659,627	423,892,284
	8,724,530,342	6,929,201,053
11 NET INTEREST INCOME		
Interest Income (Note 11.1)	7,888,022,365	6,256,980,109
Interest Expense (Note 11.2)	4,524,628,517	3,500,249,672
	3,363,393,848	2,756,730,437





Notes to the Financial Statements

	For the Year Ended 31st March	2019 Rs.	2018 Rs.
11.1	**Interest Income**		
	Cash and Cash Equivalents	10,071,408	854,795
	Placements with Banks and Other Finance Companies	280,062,867	249,672,116
	Loans and Receivables to Other Customers (Note 11.1.1)	4,311,894,341	3,027,100,047
	Lease Rental and Hire Purchase Receivables (Note 11.1.2)	3,120,372,883	2,802,841,059
	Sri Lanka Government Securities (Note 11.1.3)	161,775,926	170,916,386
	Other Financial Assets	3,844,940	5,595,706
		7,888,022,365	6,256,980,109
11.1.1	**Loans and Receivables to Other Customers**		
	Loans and Advances	3,784,052,340	2,685,298,093
	Loans against Fixed Deposits	79,247,785	63,544,835
	Microfinance Loans	1,445,201	22,546,764
	Gold Loans	447,149,015	255,710,355
		4,311,894,341	3,027,100,047
11.1.2	**Lease Rental and Hire Purchase Receivables**		
	Hire Purchase	23,947,531	94,324,599
	Lease	3,096,425,352	2,708,516,460
		3,120,372,883	2,802,841,059

11.1.3 Notional Tax Credit on Secondary Market Transactions

Interest income from Government Securities were subjected to withholding tax at source (Notional Tax) as per the Inland Revenue Act No. 10 of 2006, effective up to 31st March 2018. Accordingly, interest income accrued or received on outright or reverse repurchase transactions on Government Securities, Treasury Bills and Treasury Bonds was grossed up by the amount of Notional Tax.

However, as per the provision of the Inland Revenue Act No. 24 of 2017 effective from 01st April 2018, interest income from Government Securities are excluded from withholding tax. Hence, notional tax credit hitherto claimed by the Company was discontinued from 01st April 2018 with implementation of Inland Revenue Act No. 24 of 2017.

	For the Year Ended 31st March	2019 Rs.	2018 Rs.
11.2	**Interest Expense**		
	Financial Liabilities at Amortised Cost - Deposits due to Customers	2,989,922,222	2,554,232,954
	Financial Liabilities at Amortised Cost - Interest bearing Borrowings	1,342,990,970	749,747,926
	Bank Overdrafts	22,434,046	10,173,349
	Subordinated Term Debts	169,281,279	186,095,443
		4,524,628,517	3,500,249,672
12	**FEE AND COMMISSION INCOME**		
	Loans and Receivables related services	360,836,957	248,123,714
	Other Financial Services	235,134	162,729
		361,072,091	248,286,443
13	**NET GAIN / (LOSS) FROM TRADING**		
	Equities		
	Net mark- to- market Gain/ (Loss)	(352,486)	(165,945)
	Dividend Income	-	208,162
		(352,486)	42,217
14	**NET GAIN / (LOSS) FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL**		
	Unit Trusts		
	Net mark- to- market Gain/ (Loss)	1,128,745	-
		1,128,745	-
15	**OTHER OPERATING INCOME**		
	Dividend Income - Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	78,432	68,400
	Capital Gain - Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	-	1,875,000
	Redemption Income - Unit Trusts	61,801,827	27,671,195
	Early Termination Income	342,376,351	348,938,695
	Gain / (Loss) on Disposal of Property, Plant & Equipment	18,188,144	5,352,809
	Rent and Other Income	52,214,873	39,986,185
		474,659,627	423,892,284

Notes to the Financial Statements

For the Year Ended 31st March		2019 Rs.	2018 Rs.
16	**IMPAIRMENT CHARGES / (REVERSALS) AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS**		
	Placements with Banks and Other Finance Companies	(3,843,995)	-
	Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Note 16.1)	136,749,554	73,573,185
	Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Note 16.2)	62,002,009	30,853,341
	Financial Assets at Amortised Cost - Other Financial Assets	193,169	432,351
		195,100,737	104,858,877
16.1	**Financial Assets at Amortised Cost - Loans and Receivables to Other Customers**		
	Impairment Charges - Stage 1	34,160,069	-
	Impairment Charges - Stage 2	8,483,567	-
	Impairment Charges - Stage 3	94,105,918	-
	Net Impairment Charges	-	73,573,185
		136,749,554	73,573,185
16.2	**Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables**		
	Impairment Charges - Stage 1	1,063,514	-
	Impairment Charges - Stage 2	14,809,214	-
	Impairment Charges - Stage 3	46,129,281	-
	Net Impairment Charges	-	30,853,341
		62,002,009	30,853,341
17	**PERSONNEL EXPENSES**		
	Salary & Bonus	745,085,117	608,585,852
	Retirement Benefit Costs (Note 43.2)	17,489,545	11,589,917
	Employer's Contribution to Employee's Provident Fund	57,026,928	45,644,152
	Employer's Contribution to Employee's Trust Fund	14,090,180	11,248,667
	Staff Welfare Expenses	73,150,128	55,651,017
		906,841,898	732,719,605

For the Year Ended 31st March	2019 Rs.	2018 Rs.
18 OPERATING PROFIT BEFORE TAXES ON FINANCIAL SERVICES		
Operating Profit Before Taxes on Financial Services is stated after charging all the expenses including the following:		
Professional Fees	2,732,612	2,257,935
Auditors Remuneration - Statutory Audit and Audit Related Services	1,750,000	1,650,000
- Non Audit Services	455,000	1,050,000
Directors Fees and Expenses	6,958,637	5,539,856
Depreciation of Property, Plant and Equipment	87,556,961	71,140,707
Amortisation of Intangible Assets	5,694,737	3,647,297
Advertising & Related Expenses	114,225,000	117,500,000
Business Promotion Expenses	47,667,248	54,950,413
Donations	3,162,300	363,120
Deposit Insurance Premium	31,147,696	25,065,934
CROP Insurance Levy	11,236,371	10,261,589
Personnel Expenses (Note 17)	906,841,898	732,719,605
19 TAXES ON FINANCIAL SERVICES		
Value Added Tax on Financial Services	379,217,733	314,711,111
Nation Building Tax on Financial Services	50,562,364	41,838,480
Debt Repayment Levy	107,199,641	-
	536,979,738	356,549,591

Notes to the Financial Statements

20 INCOME TAX EXPENSE

Provision for Taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments (up to 31st March 2018) thereto, and the Inland Revenue Act No. 24 of 2017, effective from 01st April 2018.

For the Year Ended 31st March	2019 Rs.	2018 Rs.
Current Income Tax Expense on Profits for the Year (Note 20.1)	765,170,522	444,823,585
(Over) / under provision in respect of previous year	(44,841,580)	(37,590,406)
	720,328,942	407,233,179
Deferred Tax (Reversal) / Charge for the Year (Note 41.2)	(100,419,038)	111,973,590
	619,909,904	519,206,769

20.1 Reconciliation of Accounting Profit to Income Tax Expense

	2019 Rs.	2018 Rs.
Profit Before Income Tax	1,748,638,376	1,537,844,163
Add : Non deductible Expenses	7,529,244,215	7,634,451,945
Less : Tax Deductible Expenses	(6,544,630,728)	(7,555,969,253)
Less : Allowable Credits	-	(27,671,195)
Assessable Income	2,733,251,863	1,588,655,660
Less : Qualifying Payments	(500,000)	-
Taxable Income	2,732,751,863	1,588,655,660
Current Income Tax Expense @ 28%	765,170,522	444,823,585

20.2 Reconciliation of Effective Tax Rate

For the Year Ended 31st March	%	2019 Rs.	%	2018 Rs.
Profit Before Income Taxation		1,748,638,376		1,537,844,163
Taxable Income	28.0	489,618,745	28.0	430,596,366
Non - Deductible Expenses	120.6	2,108,188,380	139.0	2,137,646,545
Tax Deductible Expenses	(104.8)	(1,832,496,604)	(138.0)	(2,115,671,391)
Allowable Credits	-	-	(0.5)	(7,747,935)
Effects on Qualifying Payments	0.0	(140,000)	-	-
Effects on Deferred Taxation	(5.7)	(100,419,038)	7.3	111,973,590
Effects on (Over) / under provision	(2.6)	(44,841,580)	(2.4)	(37,590,406)
Total Income Tax Expense	35.5	619,909,904	33.8	519,206,769

21 EARNINGS PER SHARE

21.1 Basic Earnings per Share

The calculation of Basic Earnings Per Share was based on the profit attributable to ordinary shareholders by dividing the weighted average number of ordinary shares outstanding during the year as per the LKAS 33 - "Earnings per Share". Calculation is as follows:-

For the Year Ended 31st March	2019	2018
Amount used as the Numerator		
Profit Attributable to Equity holders (Rs.)	1,128,728,472	1,018,637,394
Number of Ordinary Shares used as the Denominator		
Weighted Average Number of Ordinary Shares (Note 21.1.1)	55,424,769	43,174,824
Basic Earnings Per Share (Rs.)	20.37	23.59

	Outstanding Number of Shares		Weighted Average Number of Shares	
For the Year Ended 31st March	2019	2018	2019	2018
21.1.1 Weighted Average Number of Ordinary Shares				
Number of shares in issue as at beginning of the year	41,550,600	41,550,600	41,550,600	41,550,600
Add : Number of shares issued under rights issue 2018/19	17,312,750	-	12,249,945	-
Add : Bonus element on number of shares issued under rights issue 2018/19	-	-	1,624,224	1,624,224
Number of shares in issue as at end of the year	58,863,350	41,550,600	55,424,769	43,174,824

21.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

Notes to the Financial Statements

22 DIVIDENDS PAID

For the Year Ended 31st March	2019 Rs.	2018 Rs.
First & Final Dividend		
Net dividend paid to the ordinary shareholders out of normal profits	-	112,186,620
Withholding Tax Deducted at source	-	12,465,180
Gross Dividend paid	-	124,651,800
Interim Dividend		
Net dividend paid to the ordinary shareholders out of normal profits	-	130,884,390
Withholding Tax Deducted at source	-	14,542,710
Gross Dividend paid	-	145,427,100

22.1 Dividend Paid Per Share

First & Final Dividend		
Dividend Paid Per Share for the Financial Year 2016/17	-	3.00
Interim Dividend		
Dividend Paid Per Share for the Financial Year 2017/18	-	3.50

23 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

23.1 Classification of Financial Assets and Financial Liabilities As at 31st March 2019

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL) Rs.	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) Rs.	Financial Assets at Amortised Cost (AC) Rs.	Total Carrying Amount Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	1,507,932,892	1,507,932,892
Placements with Banks and Other Finance Companies	-	-	2,356,358,852	2,356,358,852
Reverse Repurchase Agreements	-	-	230,130,165	230,130,165
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	812,320,782	-	-	812,320,782
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	24,332,295,963	24,332,295,963
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,624,916,906	14,624,916,906
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	-	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	-	-	1,785,716,058	1,785,716,058
Financial Assets at Amortised Cost - Other Financial Assets	-	-	15,963,213	15,963,213
Total Financial Assets	812,320,782	203,800	44,853,314,049	45,665,838,631

Notes to the Financial Statements

	Financial Liabilities at Amortised Cost (AC) Rs.	Total Carrying Amount Rs.
Financial Liabilities		
Bank Overdrafts	1,566,068,720	1,566,068,720
Rental Received in Advance	324,196,627	324,196,627
Financial Liabilities at Amortised Cost - Deposits due to Customers	25,436,257,664	25,436,257,664
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	12,497,221,353	12,497,221,353
Subordinated Term Debts	1,031,100,274	1,031,100,274
Total Financial Liabilities	40,854,844,638	40,854,844,638

23.2 Classification of Financial Assets and Financial Liabilities As at 31st March 2018

	Held For Trading (HFT) Rs.	Held To Maturity (HTM) Rs.	Loans and Receivables (L&R) Rs.	Available For Sale (AFS) Rs.	Total Carrying Amount Rs.
Financial Assets					
Cash and Cash Equivalents	-	-	1,021,651,531	-	1,021,651,531
Placements with Banks and Other Finance Companies	-	-	2,076,192,145	-	2,076,192,145
Reverse Repurchase Agreements	-	-	630,286,027	-	630,286,027
Financial Investments - Held for Trading	1,938,675	-	-	-	1,938,675
Loans and Receivables to Other Customers	-	-	18,073,714,310	-	18,073,714,310
Lease Rental and Hire Purchase Receivables	-	-	12,753,940,053	-	12,753,940,053
Financial Investments - Available for Sale	-	-	-	208,703,800	208,703,800
Financial Investments - Held to Maturity	-	1,920,722,472	-	-	1,920,722,472
Other Financial Assets	-	-	16,971,763	-	16,971,763
Total Financial Assets	1,938,675	1,920,722,472	34,572,755,829	208,703,800	36,704,120,776

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Financial Liabilities			
Bank Overdrafts	-	1,839,144,681	1,839,144,681
Rental Received in Advance	-	308,688,009	308,688,009
Deposits due to Customers	-	22,186,879,453	22,186,879,453
Interest bearing Borrowings	-	8,011,421,404	8,011,421,404
Subordinated Term Debts	-	1,550,967,094	1,550,967,094
Total Financial Liabilities	-	33,897,100,641	33,897,100,641

Notes to the Financial Statements

23.3 Classification of financial assets and financial liabilities on the date of initial application of SLFRS 9

The following table shows the original measurement categories in accordance with LKAS 39 and the new measurement categories under SLFRS 9 for the Company's financial assets and financial liabilities as at 1st April 2018.

	Note	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount LKAS 39 Rs.	New carrying amount SLFRS 9 Rs.
Financial Assets					
Cash and Cash Equivalents		Loans and Receivables	Amortised Cost	1,021,651,531	1,021,651,531
Placements with Banks and Other Finance Companies	(i)	Loans and Receivables	Amortised Cost	2,076,192,145	2,070,336,031
Reverse Repurchase Agreements		Loans and Receivables	Amortised Cost	630,286,027	630,286,027
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading		Fair Value Through Profit of Loss	Fair Value Through Profit of Loss	1,938,675	1,938,675
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	(ii)	Loans and Receivables	Amortised Cost	18,073,714,310	17,966,271,650
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	(iii)	Loans and Receivables	Amortised Cost	12,753,940,053	12,693,803,267
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale					
Government Securities - Treasury Bonds		Available-for-sale	Fair Value Through Other Comprehensive Income	208,500,000	208,500,000
Unquoted equities		Available-for-sale	Fair Value Through Other Comprehensive Income	203,800	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity		Held To Maturity	Amortised Cost	1,920,722,472	1,920,722,472
Financial Assets at Amortised Cost - Other Financial Assets		Loans and Receivables	Amortised Cost	16,971,763	16,971,763
Total Financial Assets				36,704,120,776	36,530,685,216
Financial Liabilities					
Bank Overdrafts		Amortised Cost	Amortised Cost	1,839,144,681	1,839,144,681
Rental Received in Advance		Amortised Cost	Amortised Cost	308,688,009	308,688,009
Financial Liabilities at Amortised Cost - Deposits due to Customers		Amortised Cost	Amortised Cost	22,186,879,453	22,186,879,453
Financial Liabilities at Amortised Cost - Interest bearing Borrowings		Amortised Cost	Amortised Cost	8,011,421,404	8,011,421,404
Subordinated Term Debts		Amortised Cost	Amortised Cost	1,550,967,094	1,550,967,094
Total Financial Liabilities				33,897,100,641	33,897,100,641

23.3 Classification of financial assets and financial liabilities on the date of initial application of SLFRS 9 (Contd.)

The following table reconciles the carrying amounts of financial assets as per LKAS 39 to the carrying amounts as per SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

		Rs.
(i)	**Placements with Banks and Other Finance Companies**	
	Under LKAS 39, placements with Banks and Other Finance Companies were categorised as loans and receivables and measured at amortised cost. These assets classified as financial assets measured at amortised cost under SLFRS 9. As per SLFRS 9, financial assets measured at amortised cost are subject to expected credit loss. Therefore Company has recognised 12 months expected credit losses for placements with banks and finance companies.	
	Carrying amount as at 31st March 2018 based on LKAS 39	2,076,192,145
	Remeasurement : Expected credit loss allowance for Placements with Banks and Other Finance Companies	(5,856,114)
	Carrying amount as at 1st April 2018 based on SLFRS 9	2,070,336,031
(ii)	**Financial Assets at Amortised Cost - Loans and Receivables to Other Customers**	
	Under LKAS 39, Loans and Receivables to Other Customers were categorised as loans and receivables and measured at amortised cost. These assets classified as financial assets measured at amortised cost under SLFRS 9. As per SLFRS 9, financial assets measured at amortised cost are subject to expected credit loss. Therefore Company has recognised expected credit losses for loans and advances.	
	Carrying amount as at 31st March 2018 based on LKAS 39	18,073,714,310
	Remeasurement : Expected credit loss allowance for Loans and Receivables to Other Customers	(107,442,660)
	Carrying amount as at 1st April 2018 based on SLFRS 9	17,966,271,650
(iii)	**Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables**	
	Under LKAS 39, Lease Rental and Hire Purchase Receivables were categorised as loans and receivables and measured at amortised cost. These assets classified as financial assets measured at amortised cost under SLFRS 9. As per SLFRS 9, financial assets measured at amortised cost are subject to expected credit loss. Therefore Company has recognised expected credit losses for Lease Rental and Hire Purchase Receivables.	
	Carrying amount as at 31st March 2018 based on LKAS 39	12,753,940,053
	Remeasurement : Expected credit loss allowance for Lease Rental and Hire Purchase Receivables	(60,136,786)
	Carrying amount as at 1st April 2018 based on SLFRS 9	12,693,803,267

Notes to the Financial Statements

The following table summarises the impact of transition to SLFRS 9 on the opening balance of the Retained Earnings. There is no impact on other components of equity.

	Impact of adopting SLFRS 9 as at 01st April 2018 Rs.
Retained earnings	
Closing balance as at 31st March 2018 based on LKAS 39	2,274,320,715
Recognition of Expected Credit Losses under SLFRS 9	(173,435,558)
Deferred Tax in relation to Expected Credit Losses	48,561,956
Opening balance under SLFRS 9 as at 1st April 2018	2,149,447,113

The following table reconciles to the closing impairment allowance for financial assets under SLFRS 9 to the opening ECL allowance determined under SLFRS 9 as at 1st April 2018.

	Rs.
Closing Impairment Provision as at 31st March 2018 based on LKAS 39	795,396,103
Recognition of Expected Credit Losses under SLFRS 9 for Financial Assets at Amortised Cost	173,435,558
Opening Impairment Provision under SLFRS 9 as at 1st April 2018	968,831,661

24 FAIR VALUE OF ASSETS AND LIABILITIES

24.1 Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

As at 31st March 2019	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Non-Financial Assets				
Property, Plant and Equipment				
Land & Buildings	-	-	1,470,967,000	1,470,967,000
Total Non - Financial Assets at Fair Value	-	-	1,470,967,000	1,470,967,000
Financial Assets				
Financial Assets recognised through profit or loss - Measured at fair value				
Equity Shares - Quoted	1,586,189	-	-	1,586,189
Unit Trusts	-	810,734,593	-	810,734,593
Total Financial Assets at Fair Value	1,586,189	810,734,593	-	812,320,782
Total Assets at Fair Value	1,586,189	810,734,593	1,470,967,000	2,283,287,782

As at 31st March 2018	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments - Held for Trading				
Equity Shares - Quoted	1,938,675	-	-	1,938,675
Financial Investments - Available for Sale				
Government of Sri Lanka Treasury Bonds	208,500,000	-	-	208,500,000
Total Financial Assets at Fair Value	210,438,675	-	-	210,438,675
Total Assets at Fair Value	210,438,675	-	-	210,438,675

Notes to the Financial Statements

24.2 Level 3 fair value measurement

Property, Plant and Equipment (PPE)

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is available in Note 34.

Reconciliation of Revaluation Reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity.

Note 34 provides information on significant unobservable inputs used as at 31st March 2019 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 34 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

24.3 Financial Instruments not measured at Fair Value and Fair Value Hierarchy

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

24.3.1 Assets for which fair value approximates carrying value

For financial assets and financial liabilities with short-term maturities, with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to savings deposits which do not have a specific maturity.

24.3.2 Fixed rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (eg. fixed rate loans and receivables , deposits due to customers and subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

24.3.3 Sensitivity of Significant Unobservable Inputs used to Measure Fair Value of Fixed Rate Financial Instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

The following table summarises the carrying amounts and the Company's estimate of fair values of those financial assets and liabilities not presented in the Statement of Financial Position at fair value. The fair values in the table below may be different from the actual amounts that will be received / paid on the settlement or maturity of the financial instrument.

As at 31st March 2019	Carrying Value Rs.	Fair Value Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets					
Cash and Cash Equivalents	1,507,932,892	-	-	-	1,507,932,892
Placements with Banks and Other Finance Companies	2,356,358,852	-	2,356,358,852	-	2,356,358,852
Reverse Repurchase Agreements	230,130,165	-	230,130,165	-	230,130,165
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	24,332,295,963	-	-	24,242,848,690	24,242,848,690
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,624,916,906	-	-	14,542,590,187	14,542,590,187
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	1,785,716,058	1,777,237,906	-	-	1,777,237,906
Financial Assets at Amortised Cost - Other Financial Assets	15,963,213	-	-	15,963,213	15,963,213
	44,853,517,849	1,777,237,906	2,586,489,017	38,801,402,090	44,673,265,705
Financial Liabilities					
Bank Overdrafts	1,566,068,720	-	-	-	1,566,068,720
Rental Received in Advance	324,196,627	-	324,196,627	-	324,196,627
Financial Liabilities at Amortised Cost - Deposits due to Customers	25,436,257,664	-	-	25,231,144,219	25,231,144,219
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	12,497,221,353	-	-	12,460,542,080	12,460,542,080
Subordinated Term Debts	1,031,100,274	-	-	1,030,358,279	1,030,358,279
	40,854,844,638	-	324,196,627	38,722,044,578	40,612,309,925

Notes to the Financial Statements

As at 31st March 2018	Carrying Value Rs.	Fair Value Level 1 Rs.	Fair Value Level 2 Rs.	Fair Value Level 3 Rs.	Fair Value Total Rs.
Financial Assets					
Cash and Cash Equivalents	1,021,651,531	-	-	-	1,021,651,531
Placements with Banks and Other Finance Companies	2,076,192,145	-	2,076,192,145	-	2,076,192,145
Reverse Repurchase Agreements	630,286,027	-	630,286,027	-	630,286,027
Loans and Receivables to Other Customers	18,073,714,310	-	-	17,930,066,621	17,930,066,621
Lease Rental and Hire Purchase Receivables	12,753,940,053	-	-	12,501,719,955	12,501,719,955
Financial Investments - Held to Maturity	1,920,722,472	1,910,566,884	-	-	1,910,566,884
Other Financial Assets	16,971,763	-	-	16,971,763	16,971,763
	36,493,478,301	1,910,566,884	2,706,478,172	30,448,758,139	36,087,454,726
Financial Liabilities					
Bank Overdrafts	1,839,144,681	-	-	-	1,839,144,681
Rental Received in Advance	308,688,009	-	308,688,009	-	308,688,009
Deposits due to Customers	22,186,879,453	-	-	22,379,394,642	22,379,394,642
Interest bearing Borrowings	8,011,421,404	-	-	8,021,058,701	8,021,058,701
Subordinated Term Debts	1,550,967,094	-	-	1,534,352,734	1,534,352,734
	33,897,100,641	-	308,688,009	31,934,806,077	34,082,638,767

	As at 31st March	2019 Rs.	2018 Rs.
25	**CASH AND CASH EQUIVALENTS**		
	Cash & Cash equivalents (Note 25.1)	1,507,932,892	1,021,651,531
	Bank Overdrafts (Note 25.2)	(1,566,068,720)	(1,839,144,681)
	Net cash and Cash Equivalents	(58,135,828)	(817,493,150)
25.1	Cash at Bank	1,338,670,664	904,240,688
	Cash in Hand	169,262,228	117,410,843
		1,507,932,892	1,021,651,531
25.2	Bank Overdrafts	(1,566,068,720)	(1,839,144,681)
26	**PLACEMENTS WITH BANKS AND OTHER FINANCE COMPANIES**		
	Placements with Banks and Other Finance Companies	2,358,370,971	2,076,192,145
	Allowance for Impairment	(2,012,119)	-
		2,356,358,852	2,076,192,145
	Movement in Stage 1 Impairment		
	Balance as at the beginning of the year (as per LKAS 39)	-	-
	Impact of adopting of SLFRS 9	5,856,114	-
	Balance as at the beginning of the year (as per SLFRS 9)	5,856,114	-
	Net impairment charge / (reverse) for the year	(3,843,995)	-
	Balance at the End of the year	2,012,119	-

Notes to the Financial Statements

As at 31st March		2019 Rs.	2018 Rs.
27	**FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) / HELD FOR TRADING**		
	Quoted Equities (Note 27.1)	1,586,189	1,938,675
	Unquoted Units in Unit Trusts (Note 27.2)	810,734,593	-
		812,320,782	1,938,675
27.1	**Investments in Quoted Equities**		
	Balance at the Beginning of the year	1,938,675	1,761,300
	Movement during the year	-	343,320
	Gain / (Loss) from marked to market valuation	(352,486)	(165,945)
	Balance at the End of the year	1,586,189	1,938,675

As at 31st March	2019 No of Ordinary shares	2019 Cost Rs.	2019 Fair Value Rs.	2018 No of Ordinary shares	2018 Cost Rs.	2018 Fair Value Rs.
Bank , Finance & Insurance						
Singer Finance (Lanka) PLC	125,888	2,261,651	1,586,189	125,888	2,261,651	1,938,675
Total Quoted Equities	125,888	2,261,651	1,586,189	125,888	2,261,651	1,938,675

		2019 Rs.	2018 Rs.
27.2	**Unquoted Units in Unit Trusts**		
	Balance at the Beginning of the year	-	-
	Movement during the year	809,605,848	-
	Gain / (Loss) from marked to market valuation	1,128,745	-
	Balance at the End of the year	810,734,593	-

As at 31st March	2019			2018		
	No of Units	Cost Rs.	Fair Value Rs.	No of Units	Cost Rs.	Fair Value Rs.
Capital Alliance Medium Risk Debt Fund	25,683,392	304,587,054	304,910,665	-	-	-
Capital Alliance Income Fund	12,359,986	205,018,794	205,231,386	-	-	-
NDB Wealth Money Plus Fund	15,232,447	300,000,000	300,592,542	-	-	-
Total Unquoted Units	53,275,825	809,605,848	810,734,593	-	-	-

28 ASSETS HELD FOR SALE

	2019 Rs.	2018 Rs.
Balance at the Beginning of the year	23,919,000	-
Additions during the year	-	23,919,000
Disposals during the year	(23,919,000)	-
Balance at the End of the year	-	23,919,000

28.1 Loss on Disposal of Assets Held for Sale

Assets held for sale consisted of a property situated at No. 73, Temple Road, Kelaniya of an extent of 20.10 perch land & a building of 2,568 sq.ft. purchased exclusively with a view to subsequent disposal. The said property was disposed during the year and loss on disposal is as follows.

Address	Carrying Value Rs.	Sale Proceeds Rs.	Loss on Disposal Rs.
No. 73, Temple Road, Kelaniya	23,919,000	23,000,000	919,000
	23,919,000	23,000,000	919,000

Notes to the Financial Statements

As at 31st March	2019 Rs.	2018 Rs.
29 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS		
Gross Loans and Receivables to Other Customers	24,821,320,851	18,308,643,347
Allowance for Impairment	(489,024,888)	(234,929,037)
Net Loans and Receivables to Other Customers (Note 29.1)	24,332,295,963	18,073,714,310

29.1 Loans and Receivables to Other Customers

As at 31st March	2019			2018		
	Gross Carrying Amount Rs.	ECL Allowance Rs.	Carrying Amount Rs.	Gross Carrying Amount Rs.	Impairment Allowance Rs.	Carrying Amount Rs.
Receivable on Loans and advances	21,759,721,334	(477,157,909)	21,282,563,425	16,376,685,971	(221,581,437)	16,155,104,534
Receivable on Loans against fixed deposits	532,328,640	-	532,328,640	388,451,265	-	388,451,265
Receivable on Micro Finance Loans	9,453,458	(5,457,554)	3,995,904	28,702,746	(8,254,937)	20,447,809
Receivable on Gold Loans	2,519,817,419	(6,409,425)	2,513,407,994	1,514,803,365	(5,092,663)	1,509,710,702
	24,821,320,851	(489,024,888)	24,332,295,963	18,308,643,347	(234,929,037)	18,073,714,310

29.2 Movement in Provision for Impairment During the Year (Under SLFRS 9)

	2019 Rs.
Balance as at the beginning of the year (as per LKAS 39)	234,929,037
Impact of adopting of SLFRS 9	107,442,660
Balance as at the beginning of the year (as per SLFRS 9)	342,371,697
Net impairment charge /(reversal) for the year	146,653,191
Balance as at the end of the year	489,024,888

29.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

	2019			
	Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year (as per SLFRS 9)	105,262,038	56,322,322	180,787,337	342,371,697
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 Month ECL	(11,266,344)	9,367,848	1,898,496	-
Transferred from Lifetime ECL not-credit impaired	11,000,021	(18,909,766)	7,909,745	-
Transferred from Lifetime ECL credit impaired	790,297	7,638,047	(8,428,344)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	9,903,637	9,903,637
Net remeasurement of loss allowance	33,636,095	10,387,438	92,726,021	136,749,554
Balance as at the end of the year	139,422,107	64,805,889	284,796,892	489,024,888

29.4 Movement in Provision for Impairment During the Year (Under LKAS 39)

	2018 Rs.
Allowance for Impairment	
Balance as at the beginning of the year	161,355,852
Net impairment charge for the year	73,573,185
Balance as at the end of the year	234,929,037

Notes to the Financial Statements

	As at 31st March	2019 Rs.	2018 Rs.
30	**FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTAL AND HIRE PURCHASE RECEIVABLES**		
30.1	**Hire Purchase Receivable**	42,010,880	219,927,271
30.2	**Lease Rental Receivable**	14,582,906,026	12,534,012,782
		14,624,916,906	12,753,940,053

		2019 Rs.	2018 Rs.
30.1	**Hire Purchase Receivable**		
	Hire purchase receivables within one year	168,219,841	333,571,533
	Hire purchase receivables after one year but before five years	2,775,382	60,180,023
	Hire purchase receivables after five years	-	-
	Total Hire Purchase Receivable	170,995,223	393,751,556
	Unearned Income	(2,345,612)	(24,252,579)
	Gross Hire Purchase Receivable	168,649,611	369,498,977
	Allowance for Impairment	(126,638,731)	(149,571,706)
	Net Hire Purchase Receivable	42,010,880	219,927,271

30.1.1 Movement in Provision for Impairment During the Year (Under SLFRS 9)

	2019 Rs.
Balance as at the beginning of the year (as per LKAS 39)	149,571,706
Impact of adopting of SLFRS 9	(19,103,154)
Balance as at the beginning of the year (as per SLFRS 9)	130,468,552
Net impairment charge /(reversal) for the year	(3,829,821)
Balance as at the end of the year	126,638,731

30.1.2 Movement in Allowance for Expected Credit Losses (Stage Transition)

	2019			
	Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year (as per SLFRS 9)	804,371	253,832	129,410,349	130,468,552
Changes due to Hire Purchase Receivables recognised in opening balance that have:				
Transferred from 12 Month ECL	(69,318)	69,318	-	-
Transferred from Lifetime ECL not-credit impaired	41,147	(64,840)	23,693	-
Transferred from Lifetime ECL credit impaired	-	-	-	-
Interest accrued / (reversals) on impaired loans and advances	-	-	(716,973)	(716,973)
Net remeasurement of loss allowance	(716,532)	(99,917)	(2,296,399)	(3,112,848)
Balance as at the end of the year	59,668	158,393	126,420,670	126,638,731

30.1.3 Movement in Provision for Impairment During the Year (Under LKAS 39)

	2018 Rs.
Allowance for Impairment	
Balance as at the beginning of the year	160,922,747
Net impairment charge for the year	(11,351,041)
Balance as at the end of the year	149,571,706

Notes to the Financial Statements

As at 31st March		2019 Rs.	2018 Rs.
30.2	**Lease Rental Receivable**		
	Lease Rental receivable within one year	9,007,792,974	7,640,975,852
	Lease Rental receivable after one year but before five years	10,921,912,288	9,292,565,152
	Lease Rental receivable after five years	17,889,578	1,955,582
	Total Lease Rental receivable	19,947,594,840	16,935,496,586
	Unearned Income	(4,804,021,775)	(3,991,152,208)
	Gross Lease Rental receivable	15,143,573,065	12,944,344,378
	Allowance for Impairment	(560,667,039)	(410,331,596)
	Net Lease Rental receivable	14,582,906,026	12,534,012,782

30.2.1 Movement in Provision for Impairment During the Year (Under SLFRS 9)

	2019 Rs.
Balance as at the beginning of the year (as per LKAS 39)	410,331,596
Impact of adopting of SLFRS 9	79,239,940
Balance as at the beginning of the year (as per SLFRS 9)	489,571,536
Net impairment charge /(reversal) for the year	71,095,503
Balance as at the end of the year	560,667,039

30.2.2 Movement in Allowance for Expected Credit Losses (Stage Transition)

	2019			
	Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year (as per SLFRS 9)	99,514,466	62,088,188	327,968,882	489,571,536
Changes due to Lease Rental Receivables recognised in opening balance that have:				
Transferred from 12 Month ECL	(14,674,294)	13,417,995	1,256,299	-
Transferred from Lifetime ECL not-credit impaired	17,151,465	(21,773,759)	4,622,294	-
Transferred from Lifetime ECL credit impaired	2,226,484	220,217	(2,446,701)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	5,980,645	5,980,645
Net remeasurment of loss allowance	(2,895,438)	23,040,200	44,970,096	65,114,858
Balance as at the end of the year	101,322,683	76,992,841	382,351,515	560,667,039

30.2.3 Movement in Provision for Impairment During the Year (Under LKAS 39)

	2018 Rs.
Allowance for Impairment	
Balance as at the beginning of the year	368,127,214
Net impairment charge for the year	42,204,382
Balance as at the end of the year	410,331,596

Notes to the Financial Statements

	As at 31st March	2019 Rs.	2018 Rs.
31	**FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE FOR SALE**		
	Government of Sri Lanka Treasury Bonds (Note 31.1)	-	208,500,000
	Unquoted Equities - (Note 31.2)	203,800	203,800
		203,800	208,703,800
31.1	**Government of Sri Lanka Treasury Bonds**		
	Balance at the Beginning of the year	208,500,000	509,881,588
	Movement During the year	(208,500,000)	(301,381,588)
	Gain / (Loss) on marked to Market valuation	-	-
	Balance at the End of the year	-	208,500,000

	As at 31st March	2019 No of Ordinary shares	2019 Cost of investment Rs.	2019 Market Value Rs.	Market Value as at 31/03/2018 Rs.
31.2	**Unquoted Equities**				
	Credit Information Bureau of Sri Lanka	38	3,800	3,800	3,800
	Finance House Association	20,000	200,000	200,000	200,000
			203,800	203,800	203,800

	As at 31st March	2019 Rs.	2018 Rs.
32	**FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS / FINANCIAL INVESTMENTS - HELD TO MATURITY**		
	Government of Sri Lanka Treasury Bills - Face Value	1,935,872,000	2,030,000,000
	Less:- Income allocated for future periods	(150,155,942)	(109,277,528)
		1,785,716,058	1,920,722,472

As at 31st March		2019 Rs.	2018 Rs.
33	**FINANCIAL ASSETS AT AMORTISED COST - OTHER FINANCIAL ASSETS**		
	Gross Staff Loans (Note 33.1)	16,720,146	17,535,527
	Allowance for Impairment (Note 33.2)	(756,933)	(563,764)
		15,963,213	16,971,763
33.1	**Gross Staff Loans**		
	Balance at the beginning of the year	17,535,527	20,959,151
	Granted during the year	12,500,500	12,758,000
	Recovered during the year	(13,730,216)	(18,043,425)
	Net change in Prepaid Staff Cost during the year	414,335	1,861,801
	Balance at the end of the year	16,720,146	17,535,527
33.2	**Allowance for Impairment**		
	Balance at the beginning of the year	563,764	131,413
	Net Impairment charge during the year	193,169	432,351
	Balance at the end of the year	756,933	563,764

34 PROPERTY, PLANT AND EQUIPMENT

As at 31st March	Freehold Land	Freehold Building	Building on Leasehold Land	Capital WIP	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Total 2019	Total 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
As at 01st April	1,235,961,000	37,331,841	1,950,000	-	77,261,338	219,887,664	108,799,449	49,177,610	1,730,368,902	539,574,574
Additions during the year	12,127,000	16,992,000	-	3,970,066	47,511,555	68,270,811	20,571,588	35,603,385	205,046,405	1,202,415,357
Transfer of accumulated depreciation on assets revalued	-	(8,037,035)	-	-	-	-	-	-	(8,037,035)	-
Surplus on Revaluation of property	115,379,000	61,213,194	-	-	-	-	-	-	176,592,194	-
Disposals during the year	-	-	-	-	-	(26,521,809)	(7,147,713)	(11,217,054)	(44,886,576)	(11,621,029)
As at 31st March	1,363,467,000	107,500,000	1,950,000	3,970,066	124,772,893	261,636,666	122,223,324	73,563,941	2,059,083,890	1,730,368,902
Accumulated Depreciation										
As at 01st April	-	5,169,211	422,500	-	51,374,940	130,779,567	66,137,235	31,195,748	285,079,201	224,470,959
Depreciation for the year	-	2,867,824	195,000	-	16,061,624	35,300,049	20,853,778	12,278,686	87,556,961	71,140,707
Transfer of accumulated depreciation on assets revalued	-	(8,037,035)	-	-	-	-	-	-	(8,037,035)	-
Disposals/Transfers during the year	-	-	-	-	-	(7,640,962)	(6,331,891)	(11,129,554)	(25,102,406)	(10,532,465)
As at 31st March	-	-	617,500	-	67,436,564	158,438,654	80,659,122	32,344,879	339,496,719	285,079,201
Carrying Amount										
As at 31st March 2019	1,363,467,000	107,500,000	1,332,500	3,970,066	57,336,329	103,198,013	41,564,202	41,219,062	1,719,587,171	
As at 31st March 2018	1,235,961,000	32,162,630	1,527,500	-	25,886,398	89,108,097	42,662,214	17,981,862		1,445,289,701

34.1 Based on the assessment of potential impairment carried out internally by the Board of Directors as at 31st March 2019, no provision was required to be made in the Financial statements.

34.2 Property, Plant & Equipment included fully depreciated assets having a gross amount of Rs. 184,002,394/- as at 31st March 2019 (2017/18 Rs. 163,413,812/-).

34.3 There were no capitalised borrowing costs related to the acquisition of Property, Plant & Equipment during the year (2017/18 - nil).

34.4 There were no restrictions on the title of the Property, Plant & Equipment as at 31st March 2019.

34.5 There were no items of Property, Plant & Equipment pledged as security as at 31st March 2019.

34.6 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2019.

34.7 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2019.

34.8 The carrying amount of Company's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

	As at 31st March 2019			As at 31st March 2018		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Class of Asset						
Freehold Land	1,248,088,000	-	1,248,088,000	1,235,961,000	-	1,235,961,000
Freehold Building	54,323,841	8,037,035	46,286,806	37,331,841	5,169,211	32,162,630
	1,302,411,841	8,037,035	1,294,374,806	1,273,292,841	5,169,211	1,268,123,630

34.9 Details of freehold properties of the Company

Freehold land & buildings - Extent and Locations

	Extent (Perches)	Buildings	Revalued amounts Land	Revalued amounts Buildings	Net Book Value/Revalued Amount	Net Book Value before revaluation
		Sq.ft.	Rs.	Rs.	Rs.	Rs.
Maharagama Branch	15.2		95,000,000		95,000,000	30,000,000
No. 126-5, Highlevel Road, Maharagama.		12,240		55,000,000	55,000,000	11,014,877
Kiribathgoda Branch	10.0		67,500,000		67,500,000	26,319,000
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda		2,626		12,500,000	12,500,000	5,877,876
Galle Branch	5.70		69,000,000		69,000,000	66,306,000
No. 128, Main Street, Galle		2,812		13,000,000	13,000,000	6,884,110
Chilaw Branch	10.00		17,467,000		17,467,000	17,467,000
No. 84, Kurunegala Road, Chilaw		2,144		9,000,000	9,000,000	5,895,732
Land	42.12		1,100,000,000		1,100,000,000	1,095,869,000
Galle Road , Colombo 03						
Embilipitiya Branch	9.77		14,500,000		14,500,000	12,127,000
No. 103, New Town Road, Embilipitiya		3,776		18,000,000	18,000,000	16,614,211

Notes to the Financial Statements

Freehold land & buildings - Valuations

Date of valuation : 31st March 2019

Name of Professional Valuer / Location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net Book Value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
			Land	Building	Land	Building	Land	Building
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
J M Senanayaka Bandara								
Maharagama Branch No. 126-5, Highlevel Road, Maharagama.	Market Comparable Method - Price per perch for land - Price per sq.ft for building	Rs. 6,250,000 p.p Rs. 2,600 to Rs. 5,500 p.sq.ft	30,000,000	11,014,877	95,000,000	55,000,000	65,000,000	43,985,123
Kiribathgoda Branch No. 121-D, Gala Junction, Kandy Road, Kiribathgoda	Market Comparable Method - Price per perch for land - Price per sq.ft for building	Rs. 6,750,000 p.p Rs. 4,500 p.sq.ft	26,319,000	5,877,876	67,500,000	12,500,000	41,181,000	6,622,124
Galle Branch No. 128, Main Street , Galle	Market Comparable Method - Price per perch for land - Price per sq.ft for building	Rs. 12,000,000 p.p Rs. 4,750 p.sq.ft	66,306,000	6,884,110	69,000,000	13,000,000	2,694,000	6,115,890
Chilaw Branch No. 84, Kurunegala Road, Chilaw	Market Comparable Method - Price per perch for land - Price per sq.ft for building	Rs. 1,700,000 p.p Rs. 4,250 p.sq.ft	17,467,000	5,895,732	17,467,000	9,000,000	-	3,104,268
Land Galle Road , Colombo 03	Market Comparable Method - Price per perch for land	Rs. 26,250,000 p.p	1,095,869,000		1,100,000,000		4,131,000	
Embilipitiya Branch No. 103, New Town Road, Embilipitiya	Market Comparable Method - Price per perch for land - Price per sq.ft for building	Rs. 1,475,000 p.p Rs. 4,750 p.sq.ft	12,127,000	16,614,211	14,500,000	18,000,000	2,373,000	1,385,789

Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/(decrease) if; Price per perch would increase/(decrease) Price per square foot would increase/(decrease) Depreciation rate for building would decrease/ (increase)

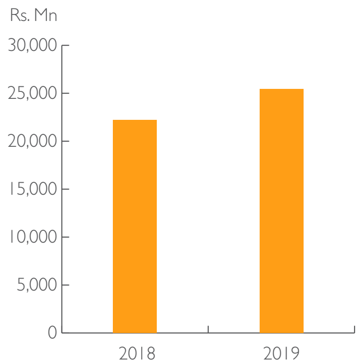
	As at 31st March	2019 Rs.	2018 Rs.
35	**INTANGIBLE ASSETS**		
	Computer Software (Note 35.1)	19,647,533	14,568,813
		19,647,533	14,568,813
35.1	**Intangible Assets**		
	Cost		
	Balance as at the beginning of the year	27,856,951	19,938,620
	Additions during the year	10,773,457	7,918,331
	Balance as at the end of the year	38,630,408	27,856,951
	Accumulated Amortisation		
	Balance as at the beginning of the year	13,288,137	9,640,840
	Charge for the year	5,694,737	3,647,297
	Balance as at the end of the year	18,982,874	13,288,137
	Carrying Amount		
	As at 31st March 2019	19,647,533	
	As at 31st March 2018		14,568,813

Notes to the Financial Statements

36 OTHER ASSETS

As at 31st March	2019 Rs.	2018 Rs.
Refundable Deposits	22,496,611	19,726,241
Taxes Recoverable	89,811,357	116,303,445
Prepaid Staff Cost	1,567,600	1,981,935
Advance Payments	27,954,115	19,264,061
Vehicle stock	4,945,000	14,711,790
Insurance Claim Receivable	172,400	91,300
Other Debtors	34,476,564	30,279,770
	181,423,647	202,358,542

As at 31st March	2019 Rs.	2018 Rs.
37 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS DUE TO CUSTOMERS		
Fixed Deposits	24,576,243,827	21,238,319,940
Savings Deposits	136,394	6,142,969
Certificate of Deposits	859,877,443	942,416,544
	25,436,257,664	22,186,879,453



FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS DUE TO CUSTOMERS

37.1 ANALYSIS OF DEPOSITS DUE TO CUSTOMERS BY MATURITY DATE

As at 31st March 2019	1 to 90 days Rs.	91 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Fixed Deposits	8,802,352,900	12,659,347,563	3,114,543,364	24,576,243,827
Savings Deposits	136,394	-	-	136,394
Certificate of Deposits	538,601,602	311,110,963	10,164,878	859,877,443
	9,341,090,896	12,970,458,526	3,124,708,242	25,436,257,664

As at 31st March 2018	1 to 90 days Rs.	91 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Fixed Deposits	9,759,086,625	8,675,011,246	2,804,222,069	21,238,319,940
Savings Deposits	6,142,969	-	-	6,142,969
Certificate of Deposits	611,832,776	291,643,685	38,940,083	942,416,544
	10,377,062,370	8,966,654,931	2,843,162,152	22,186,879,453

As at 31st March	2019 Rs.	2018 Rs.
38 FINANCIAL LIABILITIES AT AMORTISED COST - INTEREST BEARING BORROWINGS		
Institutional Borrowings (Note 38.1)	12,497,221,353	8,011,421,404
	12,497,221,353	8,011,421,404

Notes to the Financial Statements

38.1 Institutional Borrowings

	As at 01/04/2018	Facility Obtained	Interest Recognised
	Rs.	Rs.	Rs.
Bank of Ceylon 2	398,521,689	-	27,326,394
Bank of Ceylon 3	100,213,539	-	1,251,053
Bank of Ceylon 4	96,750,408	-	2,705,975
Bank of Ceylon 5	1,934,819,777	-	190,146,579
PABC Bank 1	140,249,925	-	7,452,226
PABC Bank 2	255,264,610	-	32,264,935
PABC Bank 3	452,913,448	-	55,825,854
Deutche Bank 2	244,480,428	-	8,284,965
Seylan Bank 1	250,515,956	-	24,374,382
Seylan Bank 2	260,715,495	-	26,206,267
Seylan Bank 3	182,564,387	-	13,302,377
Seylan Bank 4	491,137,139	-	60,789,123
Seylan Bank 6	1,002,016,438	-	120,758,356
Seylan Bank 7	-	999,135,524	71,639,471
Cargills Bank	98,420,718	-	10,633,399
NDB Bank	302,873,561	900,000,000	16,459,178
Union Bank	104,844,613	-	9,294,370
Hatton National Bank 1	1,005,369,641	-	145,206,667
Hatton National Bank 2	689,749,631	-	82,460,145
Hatton National Bank 3	-	997,343,780	107,349,602
Hatton National Bank 4	-	890,631,213	87,562,985
Hatton National Bank 5	-	1,000,000,000	65,105,753
Hatton National Bank 6	-	997,332,943	14,222,394
DFCC Bank	-	498,994,545	47,409,900
NSB Bank	-	1,997,649,932	96,107,443
Sampath Bank 1	-	998,025,334	12,554,329
Sampath Bank 2	-	498,344,444	6,296,849
	8,011,421,404	9,777,457,715	1,342,990,971

* Facility obtained is reported net of transaction cost

Repayments Capital Rs.	Repayments Interest Rs.	As at 31/03/2019 Rs.	Tenure of Loan	Security Offered
229,166,674	48,847,842	147,833,567	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
96,319,535	5,145,057	-	24 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
96,770,115	2,686,268	-	24 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
750,000,000	188,814,387	1,186,151,969	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
138,888,889	8,813,262	-	36 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
66,181,280	32,034,489	189,313,776	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
112,500,000	56,296,513	339,942,789	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
244,950,261	7,815,132	-	18 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
125,004,000	24,636,377	125,249,961	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
125,004,000	26,348,528	135,569,234	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
182,291,000	13,575,764	-	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
124,800,000	61,065,501	366,060,761	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
-	116,966,575	1,005,808,219	4 Months	Letter of Offer
125,400,000	65,817,750	879,557,245	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
50,880,874	10,674,511	47,498,732	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
1,100,000,000	18,897,123	100,435,616	3 Months	Mortgage Bond over Lease & Hire Purchase Portfolio and Letter of Offer
90,000,000	9,088,948	15,050,035	24 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
60,000,000	62,757,007	1,027,819,301	60 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
325,609,332	26,505,530	420,094,914	20 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
208,000,000	104,274,906	792,418,476	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
-	-	978,194,198	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
1,000,000,000	65,105,753	-	6 Months	Letter of Offer
20,800,000	10,801,096	979,954,241	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
93,750,000	47,095,142	405,559,303	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
133,333,333	88,922,055	1,871,501,987	60 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
16,666,667	10,231,507	983,681,489	60 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
-	5,115,753	499,525,540	6 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
5,516,315,960	1,118,332,776	12,497,221,353		

Notes to the Financial Statements

38.1.1 Details of Borrowings

	As at 31st March 2019 Rs.	Repayment Period	Repayment Terms
Bank of Ceylon 2	147,833,567	48 Months	Monthly Rentals
Bank of Ceylon 5	1,186,151,969	48 Months	Monthly Rentals
PABC Bank 2	189,313,776	48 Months	Monthly Rentals
PABC Bank 3	339,942,789	48 Months	Monthly Rentals
Seylan Bank 1	125,249,961	48 Months	Monthly Rentals
Seylan Bank 2	135,569,234	48 Months	Monthly Rentals
Seylan Bank 4	366,060,761	48 Months	Monthly Rentals
Seylan Bank 6	1,005,808,219	4 Months	Maturity
Seylan Bank 7	879,557,245	48 Months	Monthly Rentals
Cargills Bank	47,498,732	48 Months	Monthly Rentals
NDB Bank	100,435,616	3 Months	Maturity
Union Bank	15,050,035	24 Months	Monthly Rentals
Hatton National Bank 1	1,027,819,301	60 Months	Monthly Rentals
Hatton National Bank 2	420,094,914	20 Months	Structured Rentals
Hatton National Bank 3	792,418,476	48 Months	Monthly Rentals
Hatton National Bank 4	978,194,198	48 Months	Structured Rentals
Hatton National Bank 6	979,954,241	48 Months	Monthly Rentals
DFCC Bank	405,559,303	48 Months	Monthly Rentals
NSB Bank	1,871,501,987	60 Months	Monthly Rentals
Sampath Bank 1	983,681,489	60 Months	Monthly Rentals
Sampath Bank 2	499,525,540	6 Months	Maturity
	12,497,221,353		

As at 31st March	2019 Rs.	2018 Rs.
39 SUBORDINATED TERM DEBTS		
Balance as at beginning of the year	1,550,967,094	1,700,465,782
Movement during the year	(519,866,820)	(149,498,688)
Balance as at end of the year	1,031,100,274	1,550,967,094

39.1 In 2014 Company issued 5,000,000 Quoted Unsecured Subordinated Redeemable Debentures at the value of Rs. 100/- each accumulated to Rs. 500,000,000 with maturity of five years. The debentures were redeemed on the respective maturity dates.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Effective Annual yield % at 31st March 2019	Amortised Cost as at 31st March 2019 Rs.	Amortised Cost as at 31st March 2018 Rs.
2014/2019 - 14.75% p.a.	Quarterly	20-Feb-14	20-Feb-19	-	-	362,421,959
2014/2019 - 15.00% p.a.	Semi-annually	20-Feb-14	20-Feb-19	-	-	21,222,845
2014/2019 - 15.50% p.a.	Annually	20-Feb-14	20-Feb-19	-	-	149,175,877
				-	-	532,820,681

39.2 In 2015 Company issued 10,000,000 Rated , Guaranteed (Capital and Two Interest Installments) , Subordinated , Redeemable Debentures at the Value of Rs.100/- each accumulated to Rs.1,000,000,000/- with maturity of five years. The debentures are quoted on the Colombo Stock Exchange.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Effective Annual yield % at 31st March 2019	Amortised Cost as at 31st March 2019 Rs.	Amortised Cost as at 31st March 2018 Rs.
2015/2020 - 10.25% p.a.	Semi-annually	31-Mar-15	31-Mar-20	10.51%	1,031,100,274	1,018,146,413
					1,031,100,274	1,018,146,413

The Company has not had any defaults of principal or interest or other breaches with respect to any subordinated liability during the year ended 31st March 2019.

Notes to the Financial Statements

	As at 31st March	2019 Rs.	2018 Rs.
40	**CURRENT TAX LIABILITIES**		
	Balance as at Beginning of the Year	364,888,378	209,076,751
	Income Tax Provision on Current Year Profits	765,170,522	444,823,585
	(Over) / under provision in respect of previous year	(44,841,580)	(37,590,406)
	Paid and Set off During the Year	(575,520,859)	(251,421,552)
	Balance as at end of the Year	509,696,461	364,888,378
41	**DEFERRED TAX LIABILITIES**		
	Deferred Tax Liabilities (Note 41.3)	343,733,661	385,537,287
	Deferred Tax Assets (Note 41.4)	(73,028,603)	(16,019,726)
	Net Deferred Tax Liabilities (Note 41.1)	270,705,058	369,517,561

41.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

As at 31st March	2019 Rs.	2018 Rs.
Taxable / (Deductible) Temporary Differences		
Property, Plant & Equipment	51,646,608	51,924,771
Lease capital Balance	862,658,071	1,182,017,577
Legal Termination receivables	136,723,344	142,976,528
Revaluation Surplus on Freehold Buildings	61,213,194	-
Revaluation Surplus on Freehold Land	115,379,000	-
Taxable Temporary Differences	1,227,620,217	1,376,918,876
Retirement Benefit Obligation	(69,131,811)	(57,213,310)
Unclaimed Impairment provision	(191,684,620)	-
Total Taxable Temporary Differences (net)	966,803,786	1,319,705,566
Applicable Tax Rate	28%	28%
Net Deferred Tax Liabilities / (Assets)	270,705,060	369,517,561

As at 31st March	2019 Rs.	2018 Rs.
41.2 Deferred Tax Expense		
Origination of Deferred tax		
Liability (Note 41.3)	(41,803,626)	114,753,412
Asset (Note 41.4)	(8,446,919)	(7,494,402)
	(50,250,545)	107,259,010
Total expense charged / (reversed) to Statement of Profit or Loss and Other Comprehensive Income	(100,419,038)	111,973,590
Total expense charged / (reversed) to OCI	50,168,495	(4,714,579)

As at 31st March	2019		2018	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
41.3 Deferred Tax Liabilities				
Balance as at beginning of the year	1,376,918,877	385,537,287	967,085,263	270,783,875
Originating / (reversing) during the year	(149,298,660)	(41,803,626)	409,833,614	114,753,412
Balance as at end of the year	1,227,620,217	343,733,661	1,376,918,877	385,537,287
41.4 Deferred Tax Assets				
Balance as at beginning of the year	57,213,311	16,019,726	30,447,591	8,525,324
Originating / (reversing) to Retained Earnings (Deferred Tax on SLFRS 9 Transitional Adjustments)	173,435,558	48,561,958	-	-
Originating / (reversing) during the year	30,167,566	8,446,919	26,765,720	7,494,402
Balance as at end of the year	260,816,435	73,028,603	57,213,311	16,019,726

Notes to the Financial Statements

As at 31st March		2019 Rs.	2018 Rs.
42	**OTHER LIABILITIES**		
	Other Provisions & Payables (Note 42.1)	340,669,774	357,210,414
	Accrued Expenses	70,496,051	43,216,640
		411,165,825	400,427,054
42.1	**Other Provisions & Payables**		
	RMV Payable	10,150,654	8,959,756
	Insurance Payable	103,535,697	83,321,942
	Stamp Duty Payable	16,800,160	11,758,250
	Social Development Fund	5,514,159	6,545,715
	Dividend Payable	-	5,286
	Other Payables	204,669,104	246,619,465
		340,669,774	357,210,414
43	**RETIREMENT BENEFIT OBLIGATIONS**		
43.1	**Retirement Benefit Liability Recognised in Statement of Financial Position**		
	Balance as at 1st April	57,213,310	29,716,585
	Amounts Recognised in Statement of Profit or Loss and Other Comprehensive Income	17,489,545	11,589,917
	Amounts Recognised in OCI	(2,581,001)	16,837,783
	Payments during the Year	(2,990,043)	(930,975)
	Balance as at 31st March	69,131,811	57,213,310
43.2	**Amounts Recognised in Statement of Profit or Loss and Other Comprehensive Income**		
	Service cost	11,482,148	7,288,612
	Net Interest on defined benefit obligation	6,007,397	4,301,305
		17,489,545	11,589,917

As at 31st March	2019 Rs.	2018 Rs.
43.3 Amounts Recognised in OCI		
Remeasurement of retirement benefit obligation arising from changes in assumptions	(8,043,931)	10,783,187
Remeasurement of retirement benefit obligation arising from experience adjustments	5,462,930	6,054,596
	(2,581,001)	16,837,783
43.4 Defined Benefit Obligation Reconciliation		
Benefit obligation at end of prior year	57,213,310	29,716,585
Company service cost	11,482,148	7,288,612
Interest cost	6,007,397	4,301,305
Payments made during the year	(2,990,043)	(930,975)
Remeasurement of retirement benefit obligation arising from changes in assumptions	(8,043,931)	10,783,187
Remeasurement of retirement benefit obligation arising from experience adjustments	5,462,930	6,054,596
Benefit obligation at end of year	69,131,811	57,213,310

43.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2019 was carried out by Mr. Piyal S Goonetilleke, FIA , of Messers. Piyal S Goonetilleke and Associates, a firm of professional actuaries.

43.4.2 The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard - LKAS 19 "Employee Benefits".

As at 31st March	2019	2018
43.5 Assumptions		
Discount Rate	11.50%	10.50%
Salary increment	10.00%	10.00%
Staff Turnover		
20 years	15.00%	15.00%
25 years	15.00%	15.00%
30 years	9.00%	9.00%
35 years	6.00%	6.00%
40 years	1.00%	1.00%
45 years	1.00%	1.00%
50 years	1.00%	1.00%
Mortality - GA 1983 Mortality table		
Retirement age	55 Years	55 Years

Notes to the Financial Statements

43.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table illustrates the impact of the possible changes in the discount rate and salary increment rates on the gratuity valuation of the Company as at 31st March 2019.

	Sensitivity effect on Statement of Financial Position (Benefit Obligation) Rs.
1% increase in discount rate	(6,732,655)
1% decrease in discount rate	8,043,931
1% increase in salary increment rate	7,922,702
1% decrease in salary increment rate	(6,752,376)

As at 31st March	2019	2018
44 STATED CAPITAL		
Ordinary Shares (Note 44.1) Rs.	1,325,918,000	287,153,000
No. of shares (Note 44.2)	58,863,350	41,550,600
44.1 Movement of Stated Capital		
At the Beginning of the Year	287,153,000	287,153,000
Right Issue of Shares during the Year	1,038,765,000	-
As at the End of the Year	1,325,918,000	287,153,000
44.2 Movement of no. of Shares		
At the Beginning of the Year	41,550,600	41,550,600
Right Issue of Shares during the Year	17,312,750	-
As at the End of the Year	58,863,350	41,550,600

During the year Stated Capital of the Company increased by Rs. 1,038,765,000/- through a Rights Issue of 17,312,750 Ordinary shares (the ratio of five new shares for every twelve shares held) at a price of Rs. 60/-. The shares were listed on the CSE on 20th June 2018.

As at 31st March		2019 Rs.	2018 Rs.
45	**STATUTORY RESERVE FUND**		
	Statutory Reserve Fund (Note 45.1)	957,881,867	732,136,173
		957,881,867	732,136,173

45.1 Statutory Reserve Fund

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

	2019 Rs.	2018 Rs.
At the Beginning of the Year	732,136,173	528,408,694
Transfers during the Year	225,745,694	203,727,479
As at the End of the Year	957,881,867	732,136,173

As at 31st March		2019 Rs.	2018 Rs.
46	**OTHER RESERVES**		
	Revaluation Reserve (Note 46.1)	127,146,380	-
	Available For Sale Reserve (Note 46.2)	-	-
	General Reserve (Note 46.3)	7,500,000	7,500,000
		134,646,380	7,500,000

46.1 Revaluation Reserve

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

	2019 Rs.	2018 Rs.
At the Beginning of the Year	-	-
Surplus on Revaluation of Freehold Land & Buildings	176,592,194	-
Deferred tax effect on revaluation Surplus on Freehold Land and Buildings	(49,445,814)	-
As at the End of the Year	127,146,380	-

Notes to the Financial Statements

46.2 Available For Sale Reserve

The Available For Sale Reserve comprises the cumulative net change in fair value of available for sale financial investments ,until the assets are derecognised or impaired.

	2019 Rs.	2018 Rs.
At the Beginning of the Year	-	(6,834,947)
Net Fair Value Gains / (Losses) on remeasuring Available For Sale Financial Assets	-	6,834,947
As at the End of the Year	-	-

46.3 General Reserve

General reserve comprises the amounts appropriated by the Board of Directors as a General Reserve.

As at 31st March	2019 Rs.	2018 Rs.
General Reserve	7,500,000	7,500,000
	7,500,000	7,500,000

As at 31st March	2019 Rs.	2018 Rs.
47 RETAINED EARNINGS		
At the Beginning of the Year	2,274,320,715	1,741,393,235
Impact of adopting SLFRS 9	(124,873,602)	-
Balance as at 01st April - Adjusted	2,149,447,113	1,741,393,235
Total Comprehensive Income		
Profit for the Year	1,128,728,472	1,018,637,394
Other Comprehensive Income	1,858,320	(12,123,204)
Statutory Reserve Transfer	(225,745,694)	(203,727,479)
Transaction Cost of Right Issue of Ordinary Shares	(1,876,867)	-
Dividends	-	(270,078,900)
Unclaimed Dividend Adjustments	95,598	219,669
At the End of the Year	3,052,506,942	2,274,320,715

48 RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

48.1 Parent and Ultimate Controlling Party

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited.

48.2 Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including executive and non-executive Directors) and selected key employees who meet the above criteria have been classified as KMP of the Company.

48.2.1 Transactions with KMP

48.2.1.1 Compensation of KMP

For the Year Ended 31st March	2019 Rs.	2018 Rs.
Short term employment benefits	87,681,786	70,902,731
Director fees and expenses	6,958,637	5,539,856
Post employment benefits	-	-
	94,640,423	76,442,587

Notes to the Financial Statements

48.2.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

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 entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependants of the KMPs domestic partner. CFM are related parties of the Company.

	As at 31st March	2019 Rs.	2018 Rs.
48.2.2.1	**Statement of Financial Position**		
	Liabilities		
	Financial Liabilities at Amortised Cost - Deposits due to Customers	253,025,453	403,400,085
	Subordinated Term Debts	-	11,500,000
		253,025,453	414,900,085

	For the Year Ended 31st March	2019 Rs.	2018 Rs.
48.2.2.2	**Statement of Profit or Loss and Other Comprehensive Income**		
	Interest Expense	60,243,731	54,576,255
	Compensation to KMP	94,640,423	76,442,587
		154,884,154	131,018,842

48.2.3 Transactions, Arrangements and Agreements involving Entities which are controlled and / or significantly influenced by the KMP or their CFM

48.2.3.1 Statement of Financial Position

As at 31st March	2019	2018	Amount Received / (Paid)	
			2018/19	2017/18
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Cash Equivalents	13,364,692	47,651,249	34,286,557	(37,275,616)
Placements with Banks and Other Finance Companies	888,175,908	1,334,339,445	446,163,537	92,104,614
Reverse Repurchase Agreements	230,000,000	-	(230,000,000)	290,067,534
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	532,817	1,063,647	530,830	532,898
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	1,586,189	1,938,675	352,486	(177,375)
	1,133,659,606	1,384,993,016	251,333,410	345,252,055
Liabilities				
Bank Overdrafts	137,840,335	352,605,074	(214,764,739)	(292,970,561)
Financial Liabilities at Amortised Cost - Deposits due to Customers	1,432,649,884	1,640,924,298	(208,274,414)	(445,841,166)
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	529,256,565	848,427,983	(319,171,418)	539,588,725
Subordinated Term Debts	-	250,000,000	(250,000,000)	(164,615,678)
	2,099,746,784	3,091,957,355	(992,210,571)	(363,838,680)

For the Year Ended 31st March	2019	2018
	Rs.	Rs.
48.2.3.2 Statement of Profit or Loss and Other Comprehensive Income		
Interest Income	147,655,783	130,022,639
Interest Expense	293,994,654	358,547,937
Net Gain / (Loss) from Trading	(352,486)	42,217
Other Operating Income	815,830	613,992

48.2.4 From time to time directors of the Company, or their related entities, may transact with the Company. These transactions are on the same terms and conditions as those entered into by other customers.

Notes to the Financial Statements

48.3 Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.

Name of the Related Party	Relationship	Terms of the Transaction	Date	2019 Rs.	Rationale for entering Transaction
Pan Asia Banking Corporation PLC	Affiliate	Fixed Deposits invested for 12% to 13.25% for 3 to 12 Months Maturity	12-Jun-2018 to 11-Feb-2019	884,880,822	To invest the excess funds

49 CONTINGENT LIABILITIES AND COMMITMENTS

49.1 Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in these Financial Statements amounted to approximately.

As at 31st March	2019 Rs.	2018 Rs.
Approved and contracted for	-	25,485,016
Approved and not contracted for	-	-
	-	25,485,016

49.2 Future Monthly Commitments on Operating Leases

The company leases number of office buildings under operating leases. The leases typically run for a period of 10 years with an option to renew the lease after that date.

As at 31st March	2019 Rs.	2018 Rs.
Less than one year	113,457,243	84,708,412
Between one and five years	323,714,333	275,668,832
More than five years	218,319,546	171,686,757
	655,491,122	532,064,001

49.3 Litigations against the Company

Litigation is a common occurrence in the industry due to the nature of the business undertaken.

The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Company confirms that there is no case filed against the Company which is not disclosed which would have a material Impact on the financial position of the Company.

As at 31st March	2019 Rs.	2018 Rs.
Cases pending against the Company	5,729,106	5,964,784
	5,729,106	5,964,784

1. Action filed by a customer to obtain a stay order preventing sale of seized vehicle - Case no. DHP 1098/17 (Pending proceedings)
2. Action filed by a third party claiming the mortgaged bond which was signed in company's favor was forged - Case no. L566/15 (Pending proceedings)

   The company's legal professionals are of the opinion that the Company will be able to defend against these cases. Therefore no provision is made for contingent liabilities in the financial statements.

Notes to the Financial Statements

50 ASSETS PLEDGED

The following assets have been pledged as securities against the long-term and short- term borrowings that have been disclosed under the Note 38 to the Financial Statements.

Funding institute	Nature of Assets	Nature of Liability	Value of Assets Pledged Rs.	Included Under
Bank of Ceylon	Leases & Hire Purchases Receivable	Long -term Borrowings	2,721,330,495	Future Rental Receivables
Pan Asia Banking Corporation PLC	Leases & Hire Purchases Receivable	Long -term Borrowings	656,278,140	Future Rental Receivables
Pan Asia Banking Corporation PLC	Leases & Hire Purchases Receivable	Overdraft	387,289,685	Future Rental Receivables
NDB Bank	Leases & Hire Purchases Receivable	Working Capital Loan	154,670,849	Future Rental Receivables
Cargills Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	75,047,997	Future Rental Receivables
Seylan Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	1,822,789,012	Future Rental Receivables
Seylan Bank	Leases & Hire Purchases Receivable	Overdraft	312,285,645	Future Rental Receivables
Union Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	19,264,045	Future Rental Receivables
Hatton National Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	5,541,995,091	Future Rental Receivables
DFCC Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	531,282,686	Future Rental Receivables
NSB Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	2,507,812,663	Future Rental Receivables
Sampath Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	2,017,161,560	Future Rental Receivables
Sampath Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	685,238,695	Future Rental Receivables

In the ordinary course of business the company enters into transaction that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The company has transferred future rental receivable of Leases & Hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within Lease Rental Receivable and Hire Purchase Receivable.

51 SEGMENT REPORTING

The Company has four reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. For each of the strategic business line, the Company Management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Finance Lease
- Hire Purchase
- Loans and Advances
- Investments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Company Management. Segment revenue 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.

Notes to the Financial Statements

51.1 Business Segments

For the year ended 31st March	Finance Lease 2019 Rs. 000	Finance Lease 2018 Rs. 000	Hire Purchase 2019 Rs. 000	Hire Purchase 2018 Rs. 000	Loans & Advances 2019 Rs. 000	Loans & Advances 2018 Rs. 000
Income From						
External Operations						
Interest	3,096,425	2,708,516	23,948	94,325	4,315,739	3,032,696
Administration Fees	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenue	3,096,425	2,708,516	23,948	94,325	4,315,739	3,032,696
Profit Before Income Tax	-	-	-	-	-	-
Income Tax Expense	-	-	-	-	-	-
Profit After Tax						
Other Information						
As at 31 March						
Segment Assets	14,582,906	12,534,013	42,011	219,927	24,332,296	18,073,714
Segment Liabilities	12,908,899	11,456,685	37,188	201,024	21,539,132	16,520,236
Net Assets	1,674,007	1,077,328	4,823	18,903	2,793,164	1,553,478

Investments		Unallocated		Total	
2019 Rs. 000	2018 Rs. 000	2019 Rs. 000	2018 Rs. 000	2019 Rs. 000	2018 Rs. 000
451,910	421,443	-	-	7,888,022	6,256,980
-	-	361,072	248,286	361,072	248,286
78	277	-	-	78	277
61,802	29,546	413,556	394,112	475,358	423,658
513,790	451,266	774,628	642,398	8,724,530	6,929,201
-	-	-	-	1,748,638	1,537,844
-	-	-	-	(619,910)	(519,207)
				1,128,728	1,018,637
5,184,730	4,837,843	3,517,583	2,740,779	47,659,526	38,406,277
4,589,562	4,422,019	3,113,791	2,505,203	42,188,572	35,105,167
595,168	415,824	403,792	235,576	5,470,954	3,301,110

Notes to the Financial Statements

52 FINANCIAL RISK MANAGEMENT

(A) Introduction and Overview

The Company has exposure to following risks from financial instruments:

Credit Risk

Liquidity Risk

Market Risk

Operational Risk

Risk Management Framework

The Board of Directors possess overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

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

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

(B) Credit Risk

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

(i) Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transaction, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(ii) Management of credit risk

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

- Formulating credit policies in consultation with business lines, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities:
  Authorisation limits are allocated to business line Credit Officers. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing and assessing credit risk.
- Company's Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business line concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) , and by issuer and market liquidity.
- Developing and maintaining the Company's processes for measuring ECL.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Regular audits of business units and Company Credit processes are undertaken by Internal Audit.

(C) Liquidity Risk

Liquidity risk is that which the Company will encounter in terms of difficulties in meeting obligations associated with its financial liabilities which are settled by delivering cash or other financial assets.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions,without incurring unacceptable losses or risking damage to the Company's reputation. Finance Division receives information from other business lines regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Division then maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed and calls deposits and short term government securities, to ensure that sufficient liquidity maintained within the Company as a whole. All liquidity policies and procedures are subject to review and approval by Integrated Risk Management Committee. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to Integrated Risk Management Committee. The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company's borrowing liabilities have maturities of over one year, deposits from customers generally have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Notes to the Financial Statements

(D) Market Risk

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

Management of market risk

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The ALCO is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

(E) Operational Risk

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

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

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

Financial Risk Review of the Company

This note presents information about the Company's exposure to financial risks and the Company's management of capital.

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A. CREDIT RISK

A. i Credit Quality Analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, financial assets measured at FVTPL, Financial Investments Measured at Fair Value Through Other Comprehensive Income.

With the adoption of SLFRS 9 (01st April 2018) - "Financial Instruments" the Company manages credit quality based on three stage approach.

Stage 1 - 12 Month Expected Credit Losses

Stage 2 - Life Time Expected Credit Losses - Not Credit Impaired

Stage 3 - Life Time Expected Credit Losses - Credit Impaired

The following table shows the classification of Financial Assets based on the three stage approach.

As at 31st March 2019	12 Month Expected Credit Losses Rs.	Life Time Expected Credit Losses - Not Credit Impaired Rs.	Life Time Expected Credit Losses - Credit Impaired Rs.	Unclassified Rs.	Total Rs.
Cash and Cash Equivalents	1,507,932,892	-	-	-	1,507,932,892
Placements with Banks and Other Finance Companies	2,358,370,971	-	-	-	2,358,370,971
Less : ECL Allowance					(2,012,119)
Reverse Repurchase Agreements	230,130,165	-	-	-	230,130,165
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	812,320,782	-	-	-	812,320,782
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	21,670,753,287	2,544,129,409	606,438,155	-	24,821,320,851
Less : ECL Allowance					(489,024,888)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	12,398,457,619	2,145,059,049	768,706,008	-	15,312,222,676
Less : ECL Allowance					(687,305,770)
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	1,785,716,058	-	-	-	1,785,716,058
Financial Assets at Amortised Cost - Other Financial Assets	-	-	-	15,963,213	15,963,213
	40,763,885,574	4,689,188,458	1,375,144,163	15,963,213	45,665,838,631

As per LKAS 39 - "Financial Instruments : Recognition and Measurement" (prior to 01st April 2018) the Company manages credit quality based on Past due date based approach.

The following table shows the classification of Financial Assets based on the past due date approach.

As at 31st March 2018	Neither past due not individually impaired	Past due but not individually impaired	Individually impaired	Total
	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalents	1,021,651,531	-	-	1,021,651,531
Placements with Banks and Other Finance Companies	2,076,192,145	-	-	2,076,192,145
Reverse Repurchase Agreements	630,286,027	-	-	630,286,027
Financial Investments - Held for Trading	1,938,675	-	-	1,938,675
Loans and Receivables to Other Customers	8,993,535,684	9,071,475,798	243,631,865	18,308,643,347
Less : Impairment	-	-	-	(234,929,037)
Lease Rental and Hire Purchase Receivables	4,879,776,431	8,031,371,383	402,695,541	13,313,843,355
Less : Impairment	-	-	-	(559,903,302)
Financial Investments - Available for Sale	208,703,800	-	-	208,703,800
Financial Investments - Held to Maturity	1,920,722,472	-	-	1,920,722,472
Other Financial Assets	16,407,999	-	563,764	16,971,763
	19,749,214,764	17,102,847,181	646,891,170	36,704,120,776

Notes to the Financial Statements

Age analysis of Past Due (i.e facilities in arrears of 1day and above) but not individually impaired financial assets	Less than 31 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and Receivables to Other Customers	4,566,107,343	2,283,324,943	1,384,969,601	837,073,911	9,071,475,798
Lease Rental and Hire Purchase Receivables	3,713,529,940	2,418,466,326	1,120,332,074	779,043,043	8,031,371,383
	8,279,637,283	4,701,791,269	2,505,301,675	1,616,116,954	17,102,847,181

A. ii Amounts arising from ECL

This note highlights inputs, assumptions and techniques used for estimating Expected Credit Losses (ECL) as per SLFRS 9 - "Financial Instruments".

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 without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the information following data.

Payment record – this includes overdue status as well as a range of variables about payment ratios

External data from credit reference agencies, including industry-standard credit scores

Requests for and granting of forbearance

Existing and forecast changes in business, financial and economic conditions

Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Generating the term structure of Probability of Default (PD)

Past Due date is a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and type of underlying security. For some portfolios, information gathered from external credit agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) ; or the borrower is past due equal more than 180 days on any material credit obligation to the Company. In determination of default the Company largely aligns with the regulatory definition of default which is 180 days and above.

Incorporation of forward-looking information

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

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

ECL allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017/18 represent the allowance account for credit losses and reflect the measurement basis under LKAS 39.

Notes to the Financial Statements

Movement in Allowance for Expected Credit Losses (Stage Transition)

	2019				2018
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: LifeTime ECL credit impaired	Total ECL	
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year (as per SLFRS 9)	205,580,875	118,664,342	638,166,568	962,411,785	690,405,813
Changes due to Lending Portfolio recognised in opening balance that have:					
Transferred from 12 Month ECL	(26,009,956)	22,855,161	3,154,795	-	
Transferred from LifeTime ECL not-credit impaired	28,192,633	(40,748,365)	12,555,732	-	
Transferred from LifeTime ECL credit impaired	3,016,781	7,858,264	(10,875,045)	-	
Interest accrued / (reversals) on impaired loans and advances	-	-	15,167,310	15,167,310	
Net remeasurment of loss allowance	30,024,125	33,327,721	135,399,718	198,751,564	104,426,526
Balance as at the end of the year	240,804,458	141,957,123	793,569,078	1,176,330,659	794,832,339

Stage Transition on Lending Portfolio (Applicable from 01st April 2018)

The following tables show reconciliations from the opening to the closing balance of the lending portfolio (gross) based on three stage approach.

	2019				2018
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: LifeTime ECL credit impaired	Total ECL	
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	27,264,787,611	3,445,069,719	912,629,372	31,622,486,702	25,468,485,732
Changes due to Lending Portfolio recognised in opening balance that have:					
Transferred from 12 Month ECL	(2,300,186,049)	2,055,948,923	244,237,126	-	-
Transferred from LifeTime ECL not-credit impaired	770,211,822	(987,694,459)	217,482,637	-	-
Transferred from LifeTime ECL credit impaired	12,271,514	19,335,569	(31,607,083)	-	-
Financial Assets that have been derecognised	(12,870,044,308)	(1,966,021,812)	(312,059,652)	(15,148,125,772)	(10,718,917,238)
Other Changes in the portfolio	21,192,170,316	2,122,550,516	344,461,765	23,659,182,597	16,870,566,599
Balance as at the end of the year	34,069,210,906	4,689,188,456	1,375,144,165	40,133,543,527	31,620,135,093

A. iii Concentration of Credit Risk

The following tables show the concentration of lending portfolio based on the type of product and geographical region.

Product Concentration

As at 31st March	2019		2018	
	Rs.	%	Rs.	%
Hire Purchase Receivable	42,010,880	0.11%	219,927,271	0.71%
Lease Rental Receivable	14,582,906,026	37.43%	12,534,012,782	40.66%
Loans and advances	21,282,563,425	54.63%	16,155,104,534	52.40%
Loans against fixed deposits	532,328,640	1.37%	388,451,265	1.26%
Micro Finance Loans	3,995,904	0.01%	20,447,809	0.07%
Gold Loans	2,513,407,994	6.45%	1,509,710,702	4.90%
	38,957,212,869		30,827,654,363	

Geographical Concentration

Province	Lease Rental & Hire Purchase Receivables		Loans and Receivables to Other Customers	
As at 31st March	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.
Western	8,906,598,503	8,007,699,697	17,172,263,302	12,976,119,158
Southern	1,329,114,848	1,082,056,791	1,725,778,332	1,175,180,901
Sabaragamuwa	1,538,347,742	1,213,782,431	1,368,590,327	993,675,513
Central	815,479,674	577,652,241	966,564,310	653,774,763
Uva	439,054,301	354,012,743	537,289,223	347,754,093
Eastern	49,038,092	29,666,332	51,140,544	22,212,815
North Western	1,516,313,035	1,383,737,398	2,025,976,589	1,405,707,982
North Central	710,872,795	655,833,777	954,743,355	724,754,358
Northern	7,403,686	9,401,945	18,974,869	9,463,763
	15,312,222,676	13,313,843,355	24,821,320,851	18,308,643,346

Notes to the Financial Statements

B. LIQUIDITY RISK

B. i Exposure to Liquidity Risk

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

As at 31st March	2019	2018
Liquid Asset Ratio (LAR)		
Average for the year	14.06%	16.40%
Maximum for the year	17.12%	19.64%
Minimum for the year	10.83%	12.92%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio as at 31st March is given below.

As at 31st March	2019 Rs.	2018 Rs.
Cash in Hand	168,628,067	116,883,115
Balances in Current Accounts free from lien	344,636,696	67,448,839
Deposits in Commercial Banks free from lien	1,650,000,000	1,700,000,000
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	1,776,156,450	2,110,059,935
Any Other Approved Securities	230,000,000	630,000,000
Total liquid assets	4,169,421,213	4,624,391,889

B. ii Maturity analysis for financial assets and financial liabilities

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

	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies*	1,404,798,533	948,940,274	2,620,045	-	-	2,356,358,852
Reverse Repurchase Agreements	-	230,130,165	-	-	-	230,130,165
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	812,320,782	-	-	-	-	812,320,782
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers*	4,569,262,208	8,205,438,575	8,777,330,693	2,766,671,261	13,593,226	24,332,295,963
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables*	1,884,808,563	4,159,357,758	6,593,598,330	1,968,986,739	18,165,516	14,624,916,906
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	203,800	-	-	-	-	203,800
Financial Investments - Held to Maturity	97,767,715	1,687,948,343	-	-	-	1,785,716,058
Financial Assets at Amortised Cost - Other Financial Assets	63,851	1,775,224	11,992,756	2,131,382	-	15,963,213
Total Interest Bearing Assets	8,769,225,452	15,233,590,339	15,385,541,824	4,737,789,382	31,758,742	44,157,905,739
Percentage 2019	20%	34%	35%	11%	0%	
Percentage 2018	21%	37%	33%	9%	0%	
Interest Bearing Liabilities						
Bank Overdrafts	1,566,068,720	-	-	-	-	1,566,068,720
Financial Liabilities at Amortised Cost - Deposits due to Customers	9,341,090,896	12,970,458,526	2,500,529,563	624,178,679	-	25,436,257,664
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	2,800,303,734	2,575,860,839	5,200,465,067	1,920,591,713	-	12,497,221,353
Subordinated Term Debts	-	1,031,100,274		-	-	1,031,100,274
Total Interest Bearing Liabilities	13,707,463,350	16,577,419,639	7,700,994,630	2,544,770,392	-	40,530,648,011
Percentage 2019	34%	41%	19%	6%	0%	
Percentage 2018	43%	34%	19%	3%	0%	

* Reported net of impairment.

Notes to the Financial Statements

C. MARKET RISK

C. i Exposure to Market Risk - Trading and non trading portfolios

	Carrying Amount as at 31st March 2019	Market Risk Measurement		Carrying Amount as at 31st March 2018	Market Risk Measurement	
		Trading Portfolios	Non -Trading Portfolios		Trading Portfolios	Non -Trading Portfolios
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets subject to Market Risk						
Cash and Cash Equivalents	1,507,932,892	-	1,507,932,892	1,021,651,531	-	1,021,651,531
Placements with Banks and Other Finance Companies	2,356,358,852	-	2,356,358,852	2,076,192,145	-	2,076,191,145
Reverse Repurchase Agreements	230,130,165	-	230,130,165	630,286,027	-	630,286,027
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	812,320,782	812,320,782	-	1,938,675	1,938,675	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	24,332,295,963	-	24,332,295,963	18,073,714,310	-	18,073,714,310
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,624,916,906	-	14,624,916,906	12,753,940,053	-	12,753,940,053
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	203,800	-	203,800	208,703,800	-	208,703,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	1,785,716,058	-	1,785,716,058	1,920,722,472	-	1,920,722,472
Other Financial Assets	15,963,213	-	15,963,213	16,971,763	-	16,971,763
	45,665,838,631	812,320,782	44,853,517,849	36,704,120,776	1,938,675	36,702,181,101
Liabilities subject to Market Risk						
Bank Overdrafts	1,566,068,720	-	1,566,068,720	1,839,144,681	-	1,839,144,681
Financial Liabilities at Amortised Cost - Deposits due to Customers	25,436,257,664	-	25,436,257,664	22,186,879,453	-	22,186,879,453
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	12,497,221,353	-	12,497,221,353	8,011,421,404	-	8,011,421,404
Subordinated Term Debts	1,031,100,274	-	1,031,100,274	1,550,967,094	-	1,550,967,094
	40,530,648,011	-	40,530,648,011	33,588,412,632	-	33,588,412,632

C. ii Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)

As at 31st March	2019 Rs.	2018 Rs.
Rate Sensitive Assets (RSA)	44,157,905,739	35,663,558,807
Rate Sensitive Liabilities (RSL)	40,530,648,011	33,588,412,632
GAP (RSA-RSL)	3,627,257,728	2,075,146,175

C. iii Equity based Investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2019 Rs.	Lowest Market Value Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	1,586,189	1,573,600	12,589
Total	1,586,189	1,573,600	12,589

	Market Value as at 31st March 2018 Rs.	Lowest Market Value Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	1,938,675	1,321,824	616,851
Total	1,938,675	1,321,824	616,851

Notes to the Financial Statements

(D) OPERATIONAL RISK

Capital Management

The Company is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

D. i Regulatory Capital Adequacy

Capital adeaquacy is a measure of financial institutions financial strength and stability of a company. This measure has been introduced by Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company.

The Capital Adequacy Ratio (CAR) is calculated based on the CBSL Finance Business Act Direction No. 3 of 2018. Commencing from 01st July 2018 Company need to maintain a CAR not less than 6% with minimun Tier 1 capital and a minimum total CAR with 10% in relation to total Risk Weighted Assets.

Computation of Capital Adequacy Ratios

As at 31st March	Note	2019 Rs.	2018 Rs.
Tier 1 Capital		5,314,410,856	3,294,012,884
Total Capital	(a)	6,020,998,664	3,794,012,884
Risk Weighted Amount for Credit Risk	(b)	42,757,930,977	31,066,000,846
Risk Weighted Amount for Operational Risk	(c)	4,989,492,351	-
Total Risk Weighted Amount		47,747,423,328	31,066,000,846
Core Capital Ratio (TIER 1) (Minimum Requirement 6%)			
$\frac{\text{Core Capital} \times 100}{\text{Risk Weighted Assets}}$		11.13%	10.60%
Total Risk Weighted Capital Ratio (TIER 11) (Minimum Requirement 10%)			
$\frac{\text{Capital Base} \times 100}{\text{Risk Weighted Assets}}$		12.61%	12.21%

(a) Computation of Total Capital

As at 31st March	2019 Rs.	2018 Rs.
Stated capital	1,325,918,000	287,153,000
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	957,881,867	732,136,173
Audited retained earnings/(losses)	3,043,551,617	2,267,223,711
(less) Revaluation gains/surplus of investment property		-
General and other disclosed reserves	7,500,000	7,500,000
Current year's profit(losses)	-	-
Tier I capital	5,334,851,484	3,294,012,884
Goodwill (net)	-	-
Other intangible assets (net)	19,647,533	-
Other Comprehensive Income losses	-	-
Deferred tax assets (net)	-	-
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	793,095	-
Shortfall of capital in financial subsidiaries	-	-
Adjustments to Tier 11 capital	20,440,628	-
Tier I Capital (after adjustments)	5,314,410,856	3,294,012,884
Instruments qualified as Tier 2 capital	200,000,000	500,000,000
Revaluation gains	-	-
General provisions/collective impairment allowances	507,380,903	-
Eligible Tier 2 Capital	707,380,903	500,000,000
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	793,095	-
Total Adjustments to eligible Tier 2 Capital	793,095	-
Eligible Tier 2 Capital after adjustments	706,587,808	500,000,000
Total Capital	6,020,998,664	3,794,012,884

Notes to the Financial Statements

(b) Computation of Risk Weighted Amount for Credit Risk - As at 31st March 2019

Credit Risk under Standardised Approach - Credit Risk Exposures by Asset Classes and Risk Weights

Item	On Balance Sheet Amount	Credit equivalent of Off-balance sheet items	Total	0%	2%
	Rs.	Rs.	Rs.	Rs.	Rs.
Claims on Government and Central Bank of Sri Lanka	1,785,716,058	-	1,785,716,058	-	-
Claims on Public Sector Entities Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-
Claims on Bank Exposures	-	-	-	-	-
Claims on Financial institutions	3,312,535,220	-	3,312,535,220	-	-
Claims on Corporates	810,734,593	-	810,734,593	-	-
Retail Claims in respect of motor vehicles and machinery	23,385,913,442	-	23,385,913,442	-	-
Claims Secured by Gold	2,519,436,780	-	2,519,436,780	-	-
Retail claims secured by immovable property	946,912,954	-	946,912,954	-	-
Other retail claims	11,491,338,326	-	11,491,338,326	-	-
Claims Secured by Commercial Real Estate	-	-	-	-	-
Non-Performing Assets (NPAs)	588,663,650	-	588,663,650	-	-
Higher-Risk Categories	-	-	-	-	-
Other assets	2,543,975,074	-	2,543,975,074	-	-
Total Assets	47,385,226,097	-	47,385,226,097	-	-

Risk Weight							Total credit Exposure Amount
20%	50%	60%	75%	100%	125%	150%	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
661,824,781	1,705,658	-	-	-	-	-	663,530,439
-	-	-	-	810,734,593	-	-	810,734,593
-	-	-	-	23,385,913,442	-	-	23,385,913,442
-	-	-	-	330,707,613	-	-	330,707,613
-	468,663,196	-	-	9,586,563	-	-	478,249,759
-	-	-	-	-	14,364,172,908	-	14,364,172,908
-	-	-	-	-	-	-	-
-	-	-	-	450,961,931	-	206,552,578	657,514,509
-	-	-	-	-	-	-	-
76,901,283	-	-	-	1,990,206,431	-	-	2,067,107,714
738,726,064	470,368,854	-	-	26,978,110,573	14,364,172,908	206,552,578	42,757,930,977

Notes to the Financial Statements

Credit Risk under Standardised Approach - Exposures recognized under Credit Risk Mitigation (CRM) - As at 31st March 2019

As at 31st March	2019 Rs.
CRM Techniques	
Cash	532,328,640
Government Securities	230,130,165
Employee Provident Fund Balances	-
Debt securities rated by a recognized ECAI	-
Debt securities not rated by a recognized ECAI	-
Equities that are included in a main index	-
Collateralized transactions	762,458,805
On-balance sheet netting	-
Guarantees	-
Other CRM Techniques	-
Total CRM exposure	762,458,805

(c) Computation of Risk Weighted Amount for Operational Risk

	1st Year Rs.	2nd Year Rs.	3rd Year Rs.	Total Rs.	Average Rs.
Interest Income	4,597,260,244	6,256,980,109	7,888,022,365	18,742,262,718	6,247,420,906
Interest Expenses	2,604,049,257	3,500,249,673	4,524,628,517	10,628,927,446	3,542,975,815
Non-interest income	517,434,239	672,220,945	836,507,977	2,026,163,161	675,387,720
Less : Realized Profits/losses from the Sale of Securities	45,875,244	29,546,195	61,801,827	137,223,267	45,741,089
Less : Extraordinary/Irregular Item of Income/ expenses	(250,490)	5,352,809	18,188,144	23,290,464	11,770,477
Gross Income	2,465,020,472	3,394,052,377	4,119,911,854	9,978,984,703	3,326,328,234
Capital Charges for Operational Risk @* 15%					498,949,235
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach					4,989,492,351
Required total capital ratio based on the Assets					10%

53 EVENTS OCCURRING AFTER THE REPORTING PERIOD

53.1 Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than disclosed below.

Directors have recommended a dividend of Rs. 4.00 per share for the financial year ended 31st March 2019 subject to the approval of Central Bank of Sri Lanka.

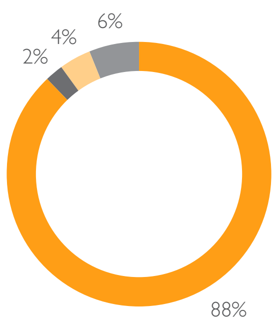
54 COMPARATIVE FIGURES

The presentation and classification of the following material items in these financial statements are amended to ensure the comparability with the current year.

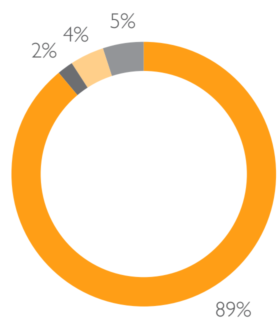
For the Year Ended 31st March	As disclosed previously Rs.	Current Presentation Rs.	Adjustment Rs.
Statement of Profit or Loss and Other Comprehensive Income			
Net Gain / (Loss) from Financial Investments	1,943,400	-	(1,943,400)
Other Operating Income	421,948,884	423,892,284	1,943,400

Sources and Utilisation of INCOME

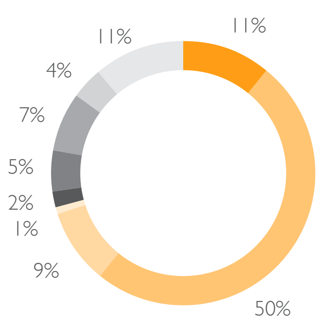
For the year ended 31 March	2019		2018		2017		2016		2015	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
SOURCES OF INCOME										
Loans and Advances	7,726,246,439	88.56	6,086,063,723	87.83	4,464,179,980	87.28	3,165,917,337	91.28	2,735,721,353	94.46
Government Securities	161,775,926	1.85	170,916,386	2.47	133,080,264	2.60	78,869,404	2.27	64,024,522	2.21
Commission Income	361,072,091	4.14	248,286,443	3.58	189,052,650	3.70	109,128,266	3.15	50,314,825	1.74
Other Income	475,435,886	5.45	423,934,501	6.12	328,381,588	6.42	114,361,894	3.30	46,126,678	1.59
Total	8,724,530,342	100.00	6,929,201,053	100.00	5,114,694,482	100.00	3,468,276,901	100.00	2,896,187,378	100.00
UTILISATION OF INCOME										
To Employees										
Personnel Expenses	906,841,898	10.39	732,719,605	10.57	549,309,630	10.74	436,060,020	12.57	336,574,216	11.62
To Suppliers										
Interest Paid	4,524,628,517	51.86	3,500,249,672	50.51	2,604,049,257	50.91	1,558,667,730	44.94	1,344,337,892	46.42
Other Expenses	719,089,378	8.24	622,191,141	8.98	542,895,518	10.61	436,836,950	12.60	295,865,994	10.22
Depreciation & Amortisation	93,251,698	1.07	74,788,004	1.08	60,927,563	1.19	54,794,468	1.58	47,263,171	1.63
Impairment charge for Loans & other losses	195,100,737	2.24	104,858,877	1.51	33,041,325	0.65	70,182,156	2.02	239,203,374	8.26
To Government										
Taxes on Financial Services	536,979,738	6.15	356,549,591	5.15	229,689,842	4.49	128,112,003	3.69	74,302,462	2.57
Income Tax	619,909,904	7.11	519,206,769	7.49	368,622,373	7.21	270,359,053	7.80	185,853,667	6.42
To Shareholders										
Dividends	-	-	269,859,231	3.90	103,876,500	2.03	83,101,200	2.40	41,550,600	1.43
Retained Profit	1,128,728,472	12.94	748,778,163	10.81	622,282,474	12.17	430,163,321	12.40	331,236,002	11.44
Total	8,724,530,342	100.00	6,929,201,053	100.00	5,114,694,482	100.00	3,468,276,901	100.00	2,896,187,378	100.00



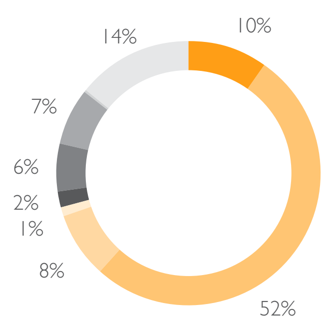
SOURCES OF INCOME - 2018



SOURCES OF INCOME - 2019



UTILISATION OF INCOME - 2018



UTILISATION OF INCOME - 2019

Information on ORDINARY SHARES

Stock Exchange Listing

Vallibel Finance PLC is a Public Quoted Company, the ordinary shares of which were listed on the main board of the Colombo Stock Exchange on 4th May 2010.

Shareholder Base

The total numbers of shareholders as at 31st March 2019 were 2,220.

Distribution of Shareholding As At 31st March 2019

Shares	2019				2018			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
1 - 1,000	1,673	75.36%	433,759	0.74%	1,448	74.41%	425,818	1.02%
1,001-10,000	419	18.87%	1,365,056	2.32%	381	19.58%	1,301,103	3.13%
10,001-100,000	100	4.50%	3,014,301	5.12%	95	4.88%	2,878,441	6.93%
100,001-1,000,000	22	0.99%	4,482,761	7.62%	19	0.98%	4,008,429	9.65%
Over 1,000,000	6	0.28%	49,567,473	84.20%	3	0.15%	32,936,809	79.27%
	2,220	100.00%	58,863,350	100.00%	1,946	100.00%	41,550,600	100.00%

Categories of Shareholders

Type of Investor	2019			2018		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	2,093	25,511,245	43.34%	1,839	9,779,779	23.54%
Local Institutions	113	31,600,646	53.68%	100	31,450,173	75.69%
Foreign Individuals	13	317,439	0.54%	7	320,648	0.77%
Foreign Institutions	1	1,434,020	2.44%	-	-	-
	2,220	58,863,350	100.00%	1,946	41,550,600	100.00%

Public holding

The percentage of shares held by the public being 21.425% comprising of 2,212 shareholders as at 31st March 2019.

The Float adjusted market capitalisation - Rs. 828,589,215.60

The Float adjusted market capitalisation of the company falls under Option 5 of rule 7.13.1 (a) of the listing rules of the Colombo Stock Exchange and the company has complied with the minimum public holding requirement applicable under the said option.

20 Major Shareholders of the Company

Shareholders	As at 31st March 2019 No of Shares	As at 31st March 2019 %	As at 31st March 2018 No of Shares	As at 31st March 2018 %
Vallibel Investments (Pvt) Limited	30,277,000	51.436%	30,277,000	72.868%
K.D.D. Perera	12,616,266	21.433%	600	0.001%
R.F.T. Perera	2,001,291	3.400%	1,300,000	3.129%
K.D.A. Perera	1,926,396	3.273%	1,359,809	3.273%
Pershing LLC S/A Averbach Grauson & Co	1,434,020	2.436%	-	-
S.B. Rangamuwa	1,312,500	2.230%	900,000	2.166%
S. Abishek	741,050	1.259%	177,467	0.427%
Dawi Investment Trust (PVT) LTD	346,893	0.589%	-	-
B.A.R. Dissanayake	284,041	0.483%	200,500	0.483%
D.S. Panditha	229,438	0.390%	154,898	0.373%
A.S. Marapana	206,850	0.351%	132,050	0.318%
A. Ragupathy	205,708	0.349%	120,500	0.290%
V.R. Kathiragamatamby (Deceased)	205,000	0.348%	205,000	0.493%
S.P. Gunasekara	200,000	0.340%	158,524	0.382%
K I A Hewage	200,000	0.340%	200,000	0.481%
F.J.P. Raj	198,896	0.338%	166,350	0.400%
H Beruwalage	187,300	0.318%	202,800	0.488%
A Sithampalam	186,690	0.317%	110,605	0.266%
S L R R Premathilaka & A R N Perera	157,337	0.267%	-	-
K S R Nissanka	152,880	0.260%	83,247	0.200%
	53,069,556	90.157%	35,749,350	86.038%
Others	5,793,794	9.843%	5,801,250	13.962%
Total	58,863,350	100.00%	41,550,600	100.00%

Market Price

		Quarter Ended 30.06.2018	Quarter Ended 30.09.2018	Quarter Ended 31.12.2018	Quarter Ended 31.03.2019	Year Ended 31.03.2019	Year Ended 31.03.2018
Highest	Rs.	72.00	69.00	72.00	72.50	72.50	75.90
Lowest	Rs.	63.10	60.00	60.00	64.70	60.00	59.80
Closing	Rs.	65.00	63.50	68.70	65.70	65.70	67.00

Utilisation of funds raised via Capital Market - Right Issue of Ordinary Shares Rs. 1,038.765 Mn

100% of the proceeds of the Right Issue of Ordinary Shares have been utilised to fund the expected growth in the loan book of the company (objective as per prospectus) within 1 to 2 months from 11th June 2018 (i.e proposed date of utilisation as per prospectus).

Information on Listed DEBENTURES

Market Values of Listed Debentures

Debentures 2014/2019	Highest		Lowest		Period End	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Fixed - 14.75%	100.00	102.00	100.00	101.27	100.00	102.00
Fixed - 15.00%	N/T	100.00	N/T	100.00	N/T	100.00
Fixed - 15.50%	100.50	101.05	97.50	100.20	100.00	101.05

Debentures 2015/2020	Highest		Lowest		Period End	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Fixed - 10.25%	99.28	N/T	99.28	N/T	99.28	N/T

Interest Rates

Debentures 2014/2019	2018/19		2017/18	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed - 14.75%	14.75%	15.59%	14.75%	15.59%
Fixed - 15.00%	15.00%	15.56%	15.00%	15.56%
Fixed - 15.50%	15.50%	15.50%	15.50%	15.50%

Debentures 2015/2020	2018/19		2017/18	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed - 10.25%	10.25%	10.51%	10.25%	10.51%

Interest Rates of Comparable Government Securities - Gross Rates

	2018/19	2017/18
5 Year Treasury Bond	11.04%	9.44%

Interest Yield and Yield to Maturity

Debentures 2014/2019	Fixed - 14.75%		Fixed - 15.00%		Fixed - 15.50%	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Interest Yield	14.75%	14.46%	15.00%	15.00%	15.50%	15.34%
Yield to Maturity of last trade	14.29%	13.17%	N/T	15.00%	13.48%	14.32%

	Fixed - 10.25%	
Debentures 2015/2020	2018/19	2017/18
Interest Yield	10.32%	N/T
Yield to Maturity of last trade	10.92%	N/T

* Debentures 2014/2019 - Rs. 500 Mn redeemed on the respective maturity date.

* * N/A - Not Applicable and N/T - Not Traded

Ratios	2018/19	2017/18
Debt to Equity Ratio (%)	247%	290%
Interest Cover (Times)	1.51	1.54
Liquid Asset Ratio (%) - Minimum Required 10%	15.25%	18.79%

Rating by ICRA Lanka Limited

Instrument	Rated Amount	Rating Action
Issuer Rating	N/A	[SL] BBB (Stable) ; Reaffirmed
Guaranteed Subordinated Redeemable Debenture Programme	LKR 1,000 Mn	[SL] AA- (SO)(Stable),Reaffirmed
Unsecured Subordinated Redeemable Debenture Programme	LKR 500 Mn	[SL] BBB- (Stable) ; withdrawn

Utilisation of funds raised via Capital Market - Debenture Issue of Rs. 1,000 Mn

100% of the proceeds of the Debenture Issue have been utilised to expand and strengthen the capital base of the company and to minimise the interest rate risk (objectives as per prospectus) from 26th March 2015 onwards (proposed date of utilization as per prospectus).

Ten Year SUMMARY

Based on Financial Statements prepared under SLFRS

For the year ended 31 March	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Statement of Profit or Loss and Other Comprehensive Income								
Gross Income	8,724,530,342	6,929,201,053	5,114,694,482	3,468,276,901	2,896,187,378	2,570,624,353	1,879,396,483	1,210,633,975
Interest Income	7,888,022,365	6,256,980,109	4,597,260,244	3,244,786,741	2,799,745,875	2,451,800,812	1,791,914,232	1,111,638,186
Interest Expense	4,524,628,517	3,500,249,672	2,604,049,257	1,558,667,730	1,344,337,892	1,340,464,712	1,008,844,798	536,824,726
Net Interest Income	3,363,393,848	2,756,730,437	1,993,210,987	1,686,119,011	1,455,407,983	1,111,336,100	783,069,434	574,813,460
Net Fee and Commission Income	361,072,091	248,286,443	189,052,650	109,128,266	50,314,825	43,082,243	31,255,381	21,941,300
Other Operating Income	475,435,886	423,934,501	328,381,588	114,361,894	46,243,968	75,741,298	56,226,870	77,054,489
Operating Expenses and provisions	2,256,162,712	1,534,557,627	1,186,174,036	997,873,594	918,906,755	741,149,517	402,623,499	285,785,791
Profit Before Taxation	2,285,618,114	1,894,393,754	1,324,471,189	911,735,577	632,942,731	489,010,124	467,928,186	388,023,458
Provision for Taxation	1,156,889,642	875,756,360	598,312,215	398,471,056	260,156,129	185,099,891	173,395,744	156,847,326
Net Profit	1,128,728,472	1,018,637,394	726,158,974	513,264,521	372,786,602	303,910,233	294,532,442	231,176,132

As at 31st March	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Assets								
Cash and Cash Equivalents	1,507,932,892	1,021,651,531	806,206,582	519,315,084	357,722,928	311,612,928	239,915,519	79,321,134
Placements with Bank's and Other Finance Companies	2,356,358,852	2,076,192,145	2,243,112,840	1,312,169,859	1,768,499,428	1,146,244,786	698,087,988	210,974,451
Reverse Repurchase Agreements	230,130,165	630,286,027	810,190,562	1,679,716,852	1,353,477,948	112,017,262	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	812,320,782	1,938,675	1,761,300	4,067,378	4,822,336	5,101,684	14,329,011	12,283,156
Assets Held for Sale	-	23,919,000	-	-	-	-	-	-
Loans and Receivables to Finance Companies	-	-	-	-	-	-	16,472,400	16,472,400
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	24,332,295,963	18,073,714,310	12,466,944,145	7,251,676,658	3,307,495,086	1,149,653,055	631,715,458	305,257,922
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,624,916,906	12,753,940,053	12,311,135,772	11,228,228,344	9,261,379,875	8,788,528,303	7,152,325,616	5,518,414,888
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	203,800	208,703,800	510,085,388	104,658,351	120,529,779	113,965,232	203,800	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	1,785,716,058	1,920,722,472	1,019,286,080	300,794,154	296,296,416	612,634,968	281,718,777	251,392,472
Financial Assets at Amortised Cost - Other Financial Assets	15,963,213	16,971,763	20,827,738	15,968,593	11,806,411	7,912,643	6,343,169	17,656,274
Property, Plant and Equipment	1,719,587,171	1,445,289,701	315,103,615	194,787,387	181,172,558	127,325,987	116,748,120	105,792,958
Intangible Assets	19,647,533	14,568,813	10,297,779	4,129,612	4,188,589	4,355,878	5,997,534	-
Deferred Tax Assets	73,028,603	16,019,726	8,525,324	37,147,476	66,516,415	33,785,749	2,142,794	1,092,818
Other Assets	181,423,647	202,358,542	161,618,964	114,516,593	159,599,520	165,575,145	137,949,156	155,102,646
Total Assets	47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289	12,578,713,620	9,303,949,343	6,673,964,919

As at 31st March	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Liabilities								
Bank Overdrafts	1,566,068,720	1,839,144,681	1,487,193,561	1,224,665,038	463,536,788	233,878,618	360,101,982	82,765,639
Rental Received in Advance	324,196,627	308,688,009	243,881,527	208,870,398	170,421,167	136,928,230	164,624,026	76,741,268
Financial Liabilities at Amortised Cost - Deposits due to Customers	25,436,257,664	22,186,879,453	17,863,861,472	14,804,037,141	12,162,096,690	9,299,977,850	6,268,210,181	4,024,406,195
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	12,497,221,353	8,011,421,404	6,043,391,985	2,243,116,105	299,522,795	542,516,837	951,201,653	1,399,833,703
Subordinated Term Debts	1,031,100,274	1,550,967,094	1,700,465,782	1,917,563,133	1,859,653,357	898,088,784	399,255,587	232,764,384
Current Tax Liabilities	509,696,461	364,888,378	209,076,751	38,687,596	93,290,845	88,294,895	41,938,998	52,416,626
Deferred Tax Liabilities	343,733,661	385,537,287	270,783,875	182,865,531	88,459,437	74,288,962	65,089,176	40,018,009
Other Liabilities	411,165,825	400,427,054	279,104,569	190,776,252	220,230,653	111,124,087	109,699,079	76,721,663
Retirement Benefit Obligations	69,131,811	57,213,310	29,716,585	27,669,222	22,125,917	12,872,166	7,652,838	3,902,921
Total Liabilities	42,188,572,396	35,105,166,670	28,127,476,107	20,838,250,416	15,379,337,649	11,397,970,429	8,367,773,520	5,989,570,408
Shareholders' Funds								
Stated Capital	1,325,918,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000
Statutory Reserve Fund	957,881,867	732,136,173	528,408,694	383,176,899	280,523,995	333,906,930	237,580,979	130,551,881
Revaluation Reserve	127,146,380	-	-	-	-	-	-	-
Available For Sale Reserve	-	-	(6,834,947)	(8,009,097)	9,257,510	4,054,987	-	-
General Reserve	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Retained Earnings	3,052,506,942	2,274,320,715	1,741,393,235	1,259,105,123	929,735,134	548,128,273	403,941,844	259,189,630
Total Shareholders' Funds & Total Liabilities	47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,342	16,893,507,289	12,578,713,619	9,303,949,343	6,673,964,919

For the year ended 31 March	2019	2018	2017	2016	2015	2014	2013	2012
Information on Ordinary Shares								
Earnings per Share (Rs.)	20.37	23.59	17.48	12.35	8.97	7.31	7.09	5.56
Net Assets per Share (Rs.)	92.94	79.45	61.55	46.42	36.44	28.42	22.53	16.47
Interest Cover (Times)	1.51	1.54	1.51	1.58	1.47	1.36	1.46	1.72
Dividend Per Share (Rs.)	4.00*	6.50	2.50	2.00	1.00	1.50	1.00	0.50
Dividend Payout (%)	-	26.51	14.30	16.19	11.15	20.51	14.11	8.99
Market Value Per Share (Rs.)	65.70	67.00	58.50	53.70	45.00	29.70	28.30	38.80
PE Ratio (Times)	3.23	2.84	3.35	4.35	5.02	4.06	3.99	6.97
* Proposed								
Ratios (%)								
Return on Shareholders Funds (%)	20.63	30.86	28.39	26.61	24.62	25.74	31.46	33.78
Liquid Assets as a % of Deposits (%)	26.31	26.40	30.17	26.46	32.04	24.69	19.46	13.46
Growth in Income (%)	25.91	35.48	47.47	19.75	12.66	36.78	55.24	89.26
Growth in Interest Expenses (%)	29.27	34.42	67.07	15.94	0.29	32.87	87.93	99.15
Growth in Other Expenses (%)	47.02	29.37	18.87	8.59	23.98	84.08	40.88	106.06
Growth in Profit After Tax (%)	10.81	40.28	41.48	37.68	22.66	3.18	27.41	114.64
Growth in Advances (%)	26.37	24.42	34.08	47.03	26.47	27.67	33.27	78.82
Growth in Deposits (%)	14.65	24.20	20.67	21.72	30.78	48.37	55.75	50.06
Growth on Shareholders' Funds (%)	65.73	29.07	32.59	27.39	28.24	26.12	36.79	30.73

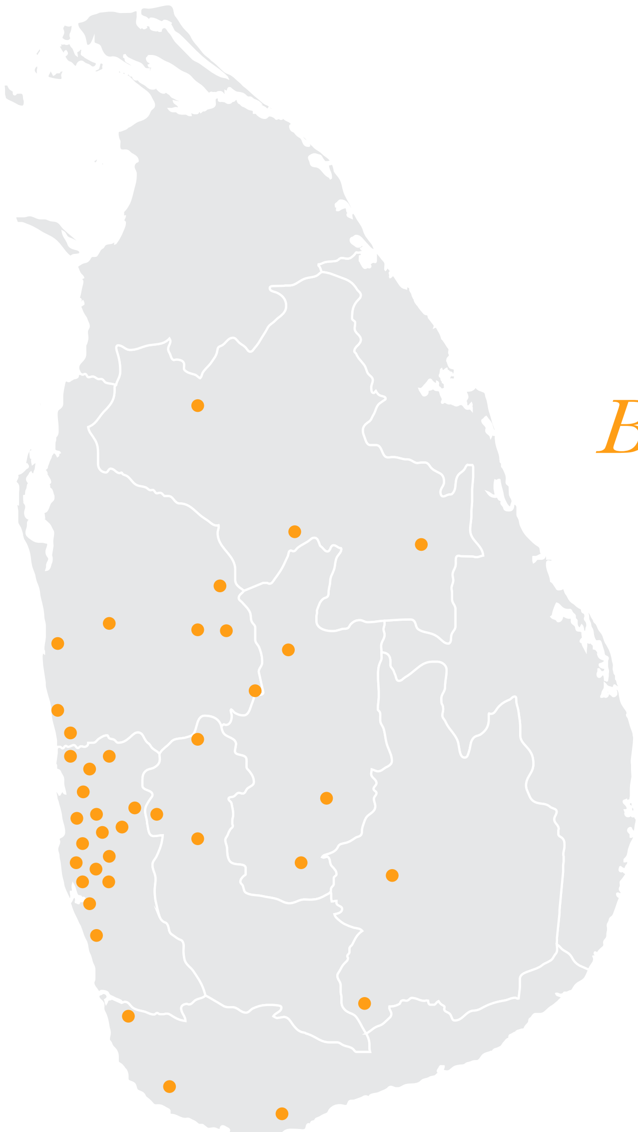
Ten Year Summary

Based on Financial Statements Prepared under SLAS

For the year ended 31 March	2011 Rs.	2010 Rs.
Statement of Profit or Loss and Other Comprehensive Income		
Gross Income	639,660,503	426,093,169
Interest Income	595,382,652	413,871,000
Interest Expenditure	269,555,960	233,952,166
Net Interest Income	325,826,692	179,918,834
Other Operating Income	44,277,851	12,222,169
Operating Expenditure	138,687,765	84,787,295
Profit Before Taxation	231,416,778	107,353,708
Provision For Taxation	123,710,483	65,468,118
Net Profit	107,706,295	41,885,590

As at 31st March	2011 Rs.	2010 Rs.
Assets		
Liquid Assets	356,060,756	172,712,628
Investments in Dealing Securities	4,668,076	445,727
Investments in Other Securities	15,743,800	15,540,000
Advances	3,256,747,669	1,551,895,858
Other Assets	177,478,281	44,531,957
Property, Plant & Equipment	78,882,526	12,765,533
Total Assets	3,889,581,108	1,797,891,703
Liabilities		
Bank Overdrafts	49,660,559	87,044,952
Borrowings	449,322,933	169,214,636
Deposits From Customers	2,596,232,472	1,139,477,444
Other Liabilities	326,229,359	135,349,881
Total Liabilities	3,421,445,323	1,531,086,913
Shareholders' Funds		
Stated Capital/Share Capital	287,153,000	172,753,000
Reserves	180,982,785	94,051,790
Total Shareholders' Funds & Total Liabilities	3,889,581,108	1,797,891,703

For the year ended 31 March	2011	2010
Information on Ordinary Shares		
Earnings per Share (Rs.)	2.63	1.34
Net Assets per Share (Rs.)	11.27	8.56
Interest Cover (Times)	1.86	1.46
Dividend per Share (Rs.)	1.00	0.50
Dividend Payout (%)	19.29	18.59
Market Value Per Share (Rs.)	49.50	-
PE Ratio (Times)	18.82	-
Ratios (%)		
Return on Shareholders Fund (%)	23.01	15.70
Liquid Assets as a % Of Deposits (%)	13.71	15.16
Growth in Income (%)	50.12	13.21
Growth in Interest Expenses (%)	15.22	(1.12)
Growth in Other Expenses (%)	63.57	26.66
Growth in Profit After Tax (%)	157.14	30.11
Growth in Advances (%)	109.86	39.91
Growth in Deposits (%)	127.84	38.87
Growth on Shareholders' Fund (%)	75.46	14.66



Branch NETWORK

Branch / Collection Center	Address	Telephone	Fax	Contact Person
Maharagama	No.126/5, High Level Road, Maharagama	011-7487487	011-7487489	Rohan De Silva
Minuwangoda	No.28/5A, Kurunegala Road, Minuwangoda	011-7587587	011-7587589	Suren Abeywickrama
Kandy	No.161, D.S. Senanayaka Veediya, Kandy	081-7687687	081-7687689	Nisshanka Amunugama
Aluthgama	No.375, Galle Road, Aluthgama	034-7687687	034-7687689	Chithraka Hettiarachchi
Rathnapura	No. 191, Main Street, Rathnapura	045-7687687	045-7687689	Ranjith Gunarathne
Kiribathgoda	No.121, Gala Junction, Kandy Road, Kiribathgoda	011-7787787	011-7787789	Dilshan Rathnayake
Matara	No.274/A, Anagarika Dharmapala Mawatha, Matara	041-7687687	041-7687689	Dilak Wanigathunga
Kurunegala	No.395, Colombo Road, Kurunegala	037-7687687	037-7687689	Dushantha De Silva
Negombo	No 178, Colombo Road, Negombo	031-7687687	031-7687689	Andrew De Mel
Gampaha	No.55, Yakkala Road, Gampaha	033-7687687	033-7687689	Ajith Rathnamalala
Galle	No.128, Main Street, Galle	091-7687687	091-7687689	Jagath Mendis
Chilaw	No. 84, Kurunegala Road, Chilaw	032-7687687	032-7687689	Wasantha Senanayake
Kuliyapitiya	No. 111, Kurunegala Road, Kuliyapitiya	0377-787787	0377-787789	Chamara Perera
Embilipitiya	No. 103, New Town Road, Embilipitiya	0477-687687	0477-687689	Janaka Kumara
Moratuwa	No.303/A, Galle Road, Rawathawatta, Moratuwa	0117-807807	0117-807809	Kalpa Amarasinghe
Malabe	No. 824/C, New Kandy Road, Malabe	0117-387387	0112-078671	Priyantha Ratnayaka
Panadura	No. 293/A, Galle Road, Panadura	0387-687687	0387-687689	Ravindra Kumara
Nugegoda	No: 213, High Level Road, Nugegoda	0117-517517	0117-517519	Madhura Jayasekara
Bandarawela	No. 197, Badulla Road, Bandarawela	0577-687687	0577-687689	Chaminda Attanayake
Kalutara	No. 302, Galle Road, Kalutara South	0347-387387	0347-387389	Priyantha Silva
Anuradhapura	No. 521/11, Maithripala Senanayake Mawatha, Anuradhapura	0257-687687	0257-687689	Rangana Rupasinghe
Kegalle	No. 315, Main Street, Kegalle	0357-687687	0357-687689	Priyankara Gamlath

Branch Network

Branch / Collection Center	Address	Telephone	Fax	Contact Person
Rajagiriya	No. 600/A, Nawala Road, Rajagiriya	0117-489489	0117-489479	Dilhan Liyanage
Kaduruwela	No. 292, Batticaloa Road, Kaduruwela	0277-687687	0277-687689	Sirimal Priyantha
Piliyanadala	No. 84, Colombo Road, Piliyandala	0117-595595	0117-595599	Saliya Gunasinghe
Warakapola	No. 95, Colombo-Kandy Road, Warakapola	0357-689689	0357-689699	Prabath Dissanayake
Wattala	No. 520, Negombo Road, Wattala	0117-523523	0117-523525	Gayan Kumarasinghe
Borella	No.58, Castle Street, Borella	0117-876876	0117-876879	Sudheera Sampath
Mount Lavinia	No 340, Galle Road, Mt.lavinia	0117-867867	0117-867869	Kumara Thennekumbura
Balangoda	No.86/C, Barnes Rathwaththa Mawatha, Balangoda	0457-857857	0457-857859	Mahesh Abesingha
Uragasmanhandiya	No.52, Main Street, Uragasmanhandiya	0917-796796	0917-796799	Hirantha Dissanayake
Nuwara Eliya	No.78, Kandy Road, Nuwara Eliya	0527-687687	052-7687689	Nilan Siriwardana
Hanwella	No.133/C, Avissawella Road,Hanwella	0367-687687	0367-687689	Lalantha Fernando
Wennappuwa	No.200, Main Street, Wennappuwa	0317-487487	0317-487489	Tephan Sosa
Kurunegala Metro	No 36, Surathissa Mawatha, Kurunegala	0377-889889	0377-889899	Asinil Perera
Dambulla	No.722A , Anuradhapura Road, Dambulla	0667-687687	0667-687689	Asanka Handagama
Bambalapitiya	No 45,Bauddhaloka Mawatha, Colombo 04	0117 738 738	0117 738 739	Prasanna Gabadage
Avissawella	No.19, Colombo Road, Avissawella	0367 867 867	0367 867 869	Upul Senadheera
Narammala	No.93, Kurunegala Road, Narammala	0377 475475	0377 475479	Nilantha Rathnasiri

List of ABBREVIATIONS

AFS	Available for Sale
AGM	Annual General Meeting
ALCO	Assets and Liabilities Management Committee
ASPI	All Share Price Index
AWDR	Average-Weighted Deposit Rate
AWFDR	Average Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
BFI	Banking Finance Insurance
BN	Billion
BOD	Board of Directors
CAR	Capital Adequacy Ratio
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumers Price Index
CDS	Central Depository System
CFM	Close Family Members
CGU	Cash Generating Unit
CIL	Crop Insurance Levy
CRM	Customer Relationship Management
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DBP	Defined Benefit Plan
DGM	Deputy General Manager
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EMDE's	Emerging Market and Developing Economies
EPF	Employees' Provident Fund
EPS	Earnings Per Share
ESC	Economic Service Charge
ETF	Employees' Trust Fund
FVTPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
HFT	Held For Trading
HP	Hire Purchase
HTM	Held to Maturity
ICASL	The Institute of Chartered Accountants of Sri Lanka
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IRMC	Integrated Risk Management Committee
IT	Information Technology
KMP	Key Management Personnel
KPIs	Key Performance Indicators
L & R	Loans and Receivables
LAR	Liquid Asset Ratio
LCB	Licensed Commercial Bank
LFC	Licensed Finance Companies
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standards
LKR	Sri Lankan Rupees
LTV	Loan to Value
MD	Managing Director
MN	Million
NBFI	Non-Bank Financial Institutions
NBT	Nation Building Tax
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non-Performing Advances
NPL	Non-Performing Loan
OCI	Other Comprehensive Income
P.A.	Per Annum
P/E	Price Earnings Ratio
PAT	Profit after Tax
PAYE	Pay As You Earn
PD	Probability of Default
PLC	Public Limited Company
PUC	Projected Unit Credit
ROA	Return On Assets
ROCE	Return on Capital Employed
ROE	Return On Equity
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
SBUs	Strategic Business Units
SEC	Securities and Exchange Commission
SLAS	Sri Lanka Accounting Standard
SLFRS	Sri Lanka Financial Reporting Standard
SME	Small and Medium Enterprises
TB	Treasury Bills
VAT	Value Added Tax
WHT	Withholding Tax
WIP	Work In Progress

Glossary of FINANCIAL TERMS

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post employment benefits.

Actuarial Gains and Losses

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

Available-for-Sale

All assets not in any of the three categories, namely, Held to maturity, Fair Value through Profit or Loss and Loans & Receivable. It is a residual category. It does not mean that the entity stands ready to sell these all the time.

Capital Adequacy Ratio (CAR)

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying International best practices on maintenance of Capital for financial Institutions, to suit the local requirements.

Cash Equivalents

Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Generating Unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Collective Impairment Provision

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not been identified at the Reporting date.

Contingencies

Conditions or situations at the reporting date, the financial effect of which are to be determined by the future events which may or may not occur.

Contractual Maturity

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the, remaining outstanding principal will be repaid and interest is due to be paid.

Corporate Governance

The process by which Corporate Institutions are governed. It involves the way in which authority is exercised over the management and the direction of the company, the supervisions of executive roles and the responsibility and accountability towards owners and other parties.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting,carried out by an independent rating agency.

Deferred Tax

Sum set aside in the financial statements for income taxation that would become payable / receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Diluted Earnings Per Share

The earnings per share that would result if all dilutive securities were converted into common shares.

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective Income Tax Rate

Provision for taxation divided by the net profit before taxation.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Equity Instrument

Equity Instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Expected Credit Losses (ECL)

Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument.

12 Month Expected Credit Losses (12MECL)

The portion of life time expected credit losses that represent the expected credit losses resulting from default events of a financial instrument that are possible within 12 months after the reporting date.

Exposure At Default (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Events after the reporting period

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

Fair Value

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.

Fair Value through Profit or Loss

A financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as fair value through profit or loss.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in other entity.

Finance Lease

A finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an assets.Title may or may not eventually be transferred.

Forward-Looking Information

Incorporation of macroeconomic scenarios into the impairment calculations.

Going Concern

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue

Glossary of Financial Terms

in operation for the foreseeable future. Hence it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially scale of its operation.

Held-to-Maturity Investments

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Individually Significant Loans

Exposures which are above a certain threshold decided by the Company's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Individually Significant Loan Impairment Provision

Impairment measured individually for loans that are individually significant to the Company.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Interest Cover

Profits before interest and taxes divided by the interest cost. This ratio measures the number of times Interest is covered by the current year's profits before interest and taxes.

Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily.

Life Time Expected Credit Loss (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to loose in the event of obligor default.

Market Capitalisation

Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices.

Net Assets Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income

The difference between the amounts a financial institution earns on assets such as loans and securities and what it incurs on liabilities such as deposits and borrowings.

Non-Performing Loans

Loans advances and hire purchase / lease finance of which interest or capital is in arrears for six months or more.

Non-Performing Ratio

Total non-performing loans expressed as a percentage of the total loans and advances.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)

Market price of an ordinary share divided by earnings per share.

Projected Unit Credit Method

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of Default (PD)

PD is an internal estimate for each borrower grade of likelihood that an obligor will default on an obligation.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related party Transactions

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Return on Assets (ROA)

Net profit after tax divided by the average assets.

Return on Equity (ROE)

Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of government securities and resale back to the seller at a given price on a specific future date.

Revaluation Reserve

Revaluation reserves arising from revaluation of properties owned by the company.

Risk Weighted Assets

On-Balance Sheet assets and the credit equivalent of off-Balance Sheet assets multiplied by the relevant risk weighting factors prescribed by the Central Bank of Sri Lanka.

Right Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Solvency

The availability of cash over the long term to meet financial commitments as they fall due.

Solely Payments of Principal and Interest Test (SPPI)

Classification decision for non – equity financial assets under SLFRS 9.

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital that consist of revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments that combine characteristics of equity and debt.

Total Capital

Total capital is the sum of Tier I capital and Tier II capital.

Transaction costs

Are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtain from the asset by an entity.

Corporate INFORMATION

Name of Company
Vallibel Finance PLC

Legal Form
Public Limited Liability Company incorporated in Sri Lanka.
A Finance Company licensed under the Finance Business Act No.42 of 2011.
A Registered Finance Leasing Establishment in terms of Finance Leasing Act No.56 of 2000.
An Approved Credit Agency under the Mortgage Act No.6 of 1949 and Trust Receipt Ordinance No.12 of 1947.

Date of Incorporation
5th September 1974
Company Registration Number
PB 526/PQ

Board of Directors
Mr. R M Karunaratne - Acting Chairman
Mr. S B Rangamuwa - Managing Director
Mr K D D Perera - Executive Director
Mr. T Murakami
Mr. K D A Perera
Mr. A Dadigama
Mr. S S Weerabahu
Mr. J Kumarasinghe

Registered Office/Head office
No. 310, Galle Road
Colombo 03.

VAT registration No.
104040950 7000

Telephone
(+94) 11-2370990

Facsimile
(+94) 11-4393129

Website
www.vallibelfinance.com

Secretaries and Registrars
P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08.
Telephone: (+94) 11-4640360-3
Fax: (+94) 11-4740588
Email: pwcs@pwcs.lk

External Auditors
KPMG
No. 32A, Sir Mohamed Macan Marker Mawatha
P.O Box 186
Colombo 03.
Telephone: (+94) 11-5426426
Fax: (+94) 11-2445872

Internal Auditors
Ernst & Young Advisory Service (Pvt) Ltd
No.201, De Saram Place
P.O Box 101
Colombo 10.
Telephone: (+94) 11-2463500
Fax: (+94) 11-2697369

Bankers
Bank of Ceylon
Corporate Branch
No.4, Bank of Ceylon Mawatha
Colombo 01.

People's Bank
Headquarters Branch
No.75, Sir Chittampalam A Gardiner Mawatha
Colombo 02.

Seylan Bank PLC
Millennium Branch
90, Galle Road
Colombo 03.

Sampath Bank PLC
Headquarters Branch
No 110, Sir James Peiris Mawatha
Colombo 02.

Pan Asia Banking Corporation PLC
Head Office Branch
No.450, Galle Road
Colombo 03.

National Development Bank PLC
Head Office Branch
No.1825, 40, Nawam Mawatha
Colombo 02.

Hatton National Bank PLC
Kollupitiya Branch
No. 471, Galle Road
Colombo 03.

Commercial Bank
Kollupitiya Branch
No 285, Galle Road
Colombo 03.

Cargills Bank
No.696,
Galle Road
Colombo 03.

Union Bank
Head Office Branch
No. 64,Galle Road
Colombo 03.

National Savings Bank
Head Office Branch
No 255,
Galle Road,
Colombo 03.

DFCC Bank
No 73/5,
Galle Road,
Colombo 03.

Notice of annual GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Vallibel Finance PLC will be held on 28th June 2019 at 10.00 a.m at the Members Lounge of the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Statement of Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.
2. To elect Mr. J Kumarasinghe who retires in terms of Article 94 of the Articles of Association, as a Director.
3. To re-elect Mr. T Murakami who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.
4. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine donations for the year ending 31st March 2020 and upto the date of the next Annual General Meeting.

By Order of the Board

VALLIBEL FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

30th May 2019
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company; No. 310, Galle Road, Colombo 03, not less than forty seven (47) hours prior to the time appointed for the meeting.

Notes

Form of PROXY

I/We* .... holder of NIC No. ....

of ....

being a shareholder / shareholders* of Vallibel Finance PLC hereby appoint ....

.... holder of NIC No. .... of ....

.... or failing him*

Mr. R M Karunaratne	or failing him*
Mr. Dhammika Perera	or failing him*
Mr. S B Rangamuwa	or failing him*
Mr. T Murakami	or failing him*
(Alternate Director- Mr. H Ota)	
Mr. K D A Perera	or failing him*
Mr. A Dadigama	or failing him*
Mr. S S Weerabahu	or failing him*
Mr. J Kumarasinghe	

as my/our* proxy to represent me/us*, to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 28th June 2019 at 10.00 a.m and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

		For	Against
1.	To elect Mr. J Kumarasinghe who retires in terms of Article 94 of the Articles of Association, as a Director.		
2.	To re-elect Mr. T Murakami who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.		
3	To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.		
4.	To authorize the Directors to determine donations for the year ending 31st March 2020 and up to the date of the next Annual General Meeting.		

In witness my/our* hand(s) this .... day of .... Two Thousand and Nineteen

....

Signature of Shareholder(s)

*Please delete what is inapplicable.

Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.

Instructions for completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company No. 310, Galle Road, Colombo 03, Sri Lanka, forty seven (47) hours prior to the time appointed for the Meeting.

3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney must be deposited at the Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, No 3/17, Kynsey Road, Colombo 08) for registration.

5. If the appointor is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

Designed & produced by

emagewise

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