ASSETLINE LEASING COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2021

EY
Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

SPF/TP/MHM

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ASSETLINE LEASING COMPANY LIMITED

Report on the audit of the financial statements

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

Opinion

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

Basis for opinion

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

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.

(Contd...2/)

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.

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.

Ernst & Young

12 August 2021
Colombo

Assetline Leasing Company Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Note	2021 Rs.	2020 Rs.
Gross Income	4	6,861,407,408	8,602,813,306
Interest Income	5	6,671,345,866	8,346,986,053
Interest Expense	6	(1,500,038,705)	(2,613,707,815)
Net Interest Income		5,171,307,161	5,733,278,238
Fee & Service Charge Income	7	140,655,257	190,154,197
Other Operating Income	8	35,292,673	65,673,056
Changes in Fair Value of Investment Properties	22	14,113,612	-
Total Operating Income		5,361,368,703	5,989,105,491
Impairment Charges & Net Write Off	9	(1,356,047,599)	(1,098,968,062)
Net Operating Income		4,005,321,104	4,890,137,429
Operating Expenses			
Personnel Costs	10	(700,661,754)	(758,026,100)
Other Operating Expenses	11	(1,006,730,857)	(1,122,536,238)
Operating Profit before VAT & NBT on Financial Services		2,297,928,493	3,009,575,091
VAT & NBT on Financial Services	12	(405,193,309)	(539,923,130)
Profit before Income Tax		1,892,735,184	2,469,651,961
Income Tax Expense	13	(737,680,426)	(874,525,739)
Profit for the Period		1,155,054,758	1,595,126,222
Earnings Per Share (Rs)	14	8.62	11.91

The Accounting Policies & Notes from pages 08 to 70 form an integral part of these Financial Statements.

Assetline Leasing Company Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	Note	2021 Rs.	2020 Rs.
Profit for the Year		1,155,054,758	1,595,126,222
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	34	(364,270)	2,107,238
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		(364,270)	2,107,238
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Actuarial Gains/(Losses) on Retirement Benefit Obligation	31	5,895,886	5,555,485
Deferred Tax on Actuarial Gain/(Loss)	30	(1,415,013)	(1,555,536)
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		4,480,873	3,999,949
Other Comprehensive Income for the Year, net of Tax		4,116,603	6,107,187
Total Comprehensive Income for the Year, net of Tax		1,159,171,361	1,601,233,409

The Accounting Policies & Notes from pages 08 to 70 form an integral part of these Financial Statements.

Assetline Leasing Company Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 Rs.	2020 Rs.
Assets			
Cash and Cash Equivalents	15	391,825,181	107,235,801
Deposits with Licensed Commercial Banks	16	1,252,200,319	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	17	2,160,386,527	2,256,781,975
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	18	25,854,510,966	30,146,035,559
Financial Assets - Fair Value through Other Comprehensive Income	19	121,204,984	139,392,609
Other Financial Assets	20	169,929,685	219,663,512
Other Non Financial Assets	21	39,860,928	59,985,992
Investment Properties	22	301,400,000	287,286,388
Property, Plant & Equipment	23	65,772,729	96,473,120
Intangible Assets	24	22,859,329	29,937,256
Right of Use Assets	25	88,593,733	113,457,262
Total Assets		30,468,544,381	35,690,705,618
Liabilities			
Bank Overdraft		481,947,134	123,919,985
Debt Instruments Issued & Other Borrowed Funds	26	14,046,646,658	19,904,826,651
Other Financial Liabilities	27	1,074,082,742	1,721,827,907
Other Non Financial Liabilities	28	72,736,511	49,860,931
Income Tax Payable	29	257,126,837	194,298,493
Deferred Tax Liability	30	190,904,033	357,252,116
Retirement Benefit Obligations	31	90,520,374	82,560,039
Total liabilities		16,213,964,289	22,434,546,122
Shareholders' Funds			
Stated Capital	32	3,550,000,000	3,550,000,000
Statutory Reserve Fund	33	960,305,226	902,552,488
Fair Value through Other Comprehensive Income Reserve	34	3,426,140	3,790,410
Retained Earnings	35	9,740,848,726	8,799,816,598
Total Shareholders' Funds		14,254,580,092	13,256,159,496
Total Liabilities and Shareholders' Funds		30,468,544,381	35,690,705,618

The Accounting Policies & Notes from pages 08 to 70 form an integral part of these Financial Statements.

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

....

Deputy General Manager - Finance and Accounting

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

....

Director/Chief Executive Officer Director

The Accounting Policies & Notes from pages 08 to 70 form an integral part of these Financial Statements.

ERNST & YOUNG Chartered Accountants COLOMBO

12 August 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Stated Capital	Statutory Reserve Fund	FVOCI Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
	Note 32	Note 33	Note 34	Note 35	
Balance as at 31 March 2019	3,550,000,000	822,796,177	1,683,172	7,466,649,708	11,841,129,057
Net Profit for the Year	-	-	-	1,595,126,222	1,595,126,222
Other Comprehensive Income net of Tax	-	-	2,107,238	3,999,949	6,107,187
Transfer to Statutory Reserve	-	79,756,311	-	(79,756,311)	-
Dividend Declared	-	-	-	(186,202,970)	(186,202,970)
Balance as at 31 March 2020	3,550,000,000	902,552,488	3,790,410	8,799,816,598	13,256,159,496
Net Profit for the Year	-	-	-	1,155,054,758	1,155,054,758
Other Comprehensive Income net of Tax	-	-	(364,270)	4,480,873	4,116,603
Transfer to Statutory Reserve Fund	-	57,752,738	-	(57,752,738)	-
Dividend Paid	-	-	-	(160,750,765)	(160,750,765)
Balance as at 31 March 2021	3,550,000,000	960,305,226	3,426,140	9,740,848,726	14,254,580,092

The Accounting Policies & Notes from pages 08 to 70 form an integral part of these Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

Assetline Leasing Company Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Note	2021 Rs.	2020 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense	**Note**	1,892,735,184	2,469,651,961
Adjustments for			
Depreciation of Property Plant & Equipment	11	48,106,225	54,254,867
Amortization of Intangible Assets	11	21,644,755	19,543,617
Amortization of Right of Used Assets	11	42,540,535	44,741,158
Withholding tax attributed to Deposits & Building Rent		-	(6,668,013)
Provision for Gratuity	10	21,461,596	25,150,959
(Profit)/Loss on Disposal of Property, Plant & Equipment	8	47,581	(2,225,683)
Change in Fair Value of Investment Property	22.1	(14,113,612)	-
Impairment Charges and Net Write off on Loans, Lease and Other Losses	9	1,358,478,733	1,097,075,030
Interest on Borrowing	6	1,486,520,101	2,598,898,354
Deferred Securitisation		14,267,637	3,449,735
Dividend Income	8	(640,000)	(481,600)
Operating Profit before Working Capital Changes		4,871,048,735	6,303,390,385
(Increase)/Decrease in Lease Rentals Receivable & Stock Out on Hire		3,207,634,573	1,717,363,294
(Increase)/Decrease in Loans and Advances		(175,176,829)	123,640,274
(Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income		17,823,356	95,899,551
(Increase)/Decrease in Right of Used Assets		(17,677,006)	(158,198,420)
(Increase)/Decrease in Other Financial Assets		46,717,391	(141,616,668)
(Increase)/Decrease in Other Non Financial Assets		20,125,064	(67,576,986)
Increase/(Decrease) in Other Financial Liabilities		(647,745,165)	172,155,899
Increase/(Decrease) in Other Non Financial Liabilities		9,356,976	19,109,200
Cash used in Operations		7,332,107,095	8,064,166,529
Gratuity Paid	31.2	(8,230,100)	(4,495,378)
Net Payments received for those who trasfered in during the period	31.2	624,725	-
Income Tax Paid		(842,615,177)	(1,446,787,453)
Net Cash From/(Used in) Operating Activities		6,481,886,543	6,612,883,698
Cash Flows from / (Used in) Investing Activities			
Deposits with Licensed Commercial Banks		-	2,040,000,000
Acquisition of Property, Plant & Equipment and Intangible Assets		(32,318,755)	(27,760,786)
Improvement Cost in Investment Property	22.1	-	(286,388)
Proceeds from Disposal of Property, Plant & Equipment		298,512	2,383,985
Dividend Received		640,000	481,600
Net Cash Flows from/(Used in) Investing Activities		(31,380,243)	2,014,818,411
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	26.1	28,577,520,000	24,450,000,000
Repayment of Bank Borrowing	26.1	(26,643,088,000)	(29,370,360,000)
Net Proceeds From Commercial Paper	26.2	(676,225,850)	623,265,045
Proceeds From Inter Company Borrowings		1,300,000,000	903,000,000
Repayment of Inter Company Borrowings		(8,087,001,540)	(1,345,000,000)
Dividend Paid		(160,750,765)	(186,202,970)
Interest Paid on Lease Liability	6	13,518,604	14,809,461
Interest Paid on Borrowings		(1,830,172,343)	(2,174,780,722)
Net Cash Flows From /(Used in) Financing Activities		(7,506,199,894)	(7,085,269,186)
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,055,693,594)	1,542,432,923
Cash and Cash Equivalents at the beginning of the year		2,217,771,960	675,963,336
Impairment for Deposits with Licensed Commercial Banks		-	(624,299)
Cash and Cash Equivalents at the end of the year		1,162,078,366	2,217,771,960

The Accounting Policies & Notes from pages 08 to 70 form an integral part of these Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

1. CORPORATE INFORMATION

1.1 General

Assetline Leasing Company Limited (The Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company was incorporated on 4th March 2003 and obtained the trading certificate on 23rd March 2003. The Company was re-registered under the Companies Act No 07 of 2007. The registered office of the Company is located at No. 120,120A Pannipitiya Road, Battaramulla. The Company is registered under the Finance Leasing Act No 56 of 2000 and amendments thereto.

1.2 Principal Activities and Nature of Operations

The Company provides a vast range of financial services which includes providing Finance Lease, Hire Purchase, Mortgage Loans, Margin Trading Facilities, Personnel Loans, Factoring and Trade Finance Loans and Other Financial Services.

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is DPMC Assetline Holdings (Private) Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is David Pieris Holdings (Private) Limited, which is incorporated in Sri Lanka.

2.1 BASIS OF PREPARATION

2.1.1 Statement of Compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements of the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No 7 of 2007.

2.1.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 March 2021 were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 12 August 2021.

2.1.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

Item	Basis of measurement	Note No.	Page Ref. No
Financial Assets measured at fair value through Other Comprehensive Income (FVOCI) –	Fair Value	19	40
Investment Property	Fair Value	22	42
Defined Benefit Obligation	Present Value	31	48-49

2.1.5 Functional & Presentation Currency

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

2.1.6 Presentation of Financial Statements

The assets and liabilities in the Statement of Financial Position of the Company are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 38 to the Financial Statements.

2.1.7 Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.1.8 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.1.9 Rounding off

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 1) – 'Presentation of Financial Statements'.

2.1.10 Comparative Information

The comparative information is re-classified wherever necessary to confirm to the current year's presentation. Re-classification of comparative information are presented in note 43 to the Financial Statements

2.1.11 Events After the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, 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 note 42 to the Financial Statements.

2.1.12 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard –LKAS 7 on 'Statement of Cash Flows' whereby operating activities, investing activities and financing activities are separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in note 15.1 to the Financial Statements.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

2.2.1 Going Concern

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

The Board of Directors is satisfied that the Company does not have significant impact from Covid 19 pandemic where the Company has evaluated the impact of the Covid 19 pandemic on the going concern assumption considering a wide range of factors under multiple stress scenarios relating to expected income, cost management, profitability, operating cash flows, unused credit lines and the ability to defer non-essential capital expenditure. Based on the above fact, the Company prepared the Financial Statements for the year ended 31 March 2021 on the going concern basis.

2.2.2 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded 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. The fair value hierarchy is given in note 37 to the Financial Statements.

2.2.3 Useful Life-time of the Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Details are given in note 2.3.18 to the Financial Statements. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.2.4 Deferred Tax Liabilities/(Assets)

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Details of deferred tax liability and asset are given in note 30 to the Financial Statements.

2.2.5 Defined Benefit Plans

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

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company. The details are discussed in note 31 to the Financial Statements.

2.2.6 Commitment and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in note 41 to the Financial Statements.

2.2.7 Impairment Losses on Loans & Advances and Lease Rental Receivable & Stock out on Hire

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

Expected Credit Loss (ECL)

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determine whether the credit risk of a financial asset has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort in order to evaluate ECL. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information. Details of the ECL are given in note 2.3.1.10.1 to the Financial Statements.

Individual Impairment

The Company reviewed their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management judgement was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made. Details of detail of individual impairment are given in note 2.3.1.10.5 to the Financial Statements.

2.2.8 SLFRS 16 – Leases

Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

ERNST & YOUNG
Chartered Accountants
COLOMBO

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments such as Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss. The Company presents right of use assets under note 25 to the financial statements while the corresponding lease liability is presented in note 27.

2.2.8.1 As a lessor

Lessor's accounting under SLFRS 16 is substantially similar to the accounting treatment for leases under LKAS 17. Lessor can continue to classify the contracts either finances or operating leases according to the LKAS 17 guidelines. Therefore, there is not any impact to the Company's Financial Statements from SLFRS 16 where the company is a lessor.

2.2.8.2 As a lessee

The Company previously classified leases either operating lease or finance lease based on the substance of the transaction. Under SLFRS 16, Company recognised a right of use assets and a lease liability except for the short-tern leases and leases for which the underlying asset is low value.

2.2.9 IFRIC 23 -Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in LKAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. IFRIC 23 addresses how to reflect uncertainty in accounting for income taxes that are scoped in LKAS 12.

2.3.2.1. IFRIC 23 Interpretation specially addresses following issues

- Whether an entity considers uncertain tax treatments separately

  The Company should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

- The assumptions an entity makes about the examination of tax treatments by taxation authorities

  The Company should assumed that a taxation authority will examine amounts and it has a right to examine and have full knowledge of all related information when the Company assess whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

  The Company should consider whether it is probable that a taxation authority will accept an uncertain tax treatment.
  If the Company concludes it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

ERNST & YOUNG
Chartered Accountants
COLOMBO

If the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates.

The Company should measure the impact of the uncertainty using one of the following methods that it concludes would best predict the resolution of the uncertainty.

i) The most likely amount - The single most likely amount in a range of possible outcomes and may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
ii) The expected value - The sum of the probability-weighted amounts in a range of possible outcomes and may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

- How an entity considers changes in facts and circumstances.

The judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements.

The Company has applied IFRIC 23 when the Company determined the taxable profit, tax bases, unused tax losses, unused tax credits and tax rates during the financial year. However, there is no material uncertainty over tax treatment that would require separate disclosures in the Financial Statements by this interpretation

2.3 GENERAL ACCOUNTING POLICIES

2.3.1 Financial Instruments – Initial Recognition, Classification, and Subsequent Measurement

2.3.1.1 Date of Recognition

The Company initially recognises loans & advances and Lease Rentals Receivable & Stock Out on Hire, deposits and subordinated liabilities, etc., 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.

2.3.1.2 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.

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

‘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 immediately recognises the difference between the transaction price and fair value (a ‘Day 1’ profit or loss) in ‘Operating Income

ERNST & YOUNG
Chartered Accountants
COLOMBO

2.3.1.3 Classification and Subsequent Measurement of Financial Assets

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in note 2.3.1.3.1
- Fair value through other comprehensive income (FVOCI), as explained in note 2.3.1.3.2 and 2.3.1.3.3
- Fair value through profit or loss, (FVTPL), as explained in note 2.3.1.3.4

2.3.1.3.1.1Loans and advances, Lease rental receivables and stock out on hire - Financial assets at amortised cost

The Company only measures Loans and advances and lease rental receivables and stock out on hire at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

(a) Business model assessment

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

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

(b) The SPPI test

Assessments whether contractual cash flows are solely payments of principal and interest

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

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

In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

2.3.1.3.2 Debt instruments at FVOCI

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

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

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

2.3.1.3.3 Equity instruments at FVOCI

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

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

2.3.1.3.4 Fair value through profit or loss, (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

2.3.1.4 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, the Company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss.

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.

Debt issued and other borrowed funds

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

2.3.1.5 Reclassification of Financial Instruments

Financial Assets

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial assets. Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Measurement of reclassification of financial assets

(a) Reclassification of Financial Instruments at '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 recognized in OCI.

- To Amortised Costs

  The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

(b) Reclassification of Financial Instruments at '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 Costs

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost.

ERNST & YOUNG Chartered Accountants COLOMBO

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

(c) Reclassification of Financial Instruments at 'Amortised Costs'

- To Fair value through other comprehensive income

  The asset is re-measured to fair value, with any difference recognized 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 amortized cost and fair value is recognized in profit and loss.

The company did not reclassify any of its financial assets or liabilities for the financial year under review.

2.3.1.6 De-recognition of Financial Instrument

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when

- The rights to receive cash flows from the asset which have expired
- The Company has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third par
- ty under a 'pass-through' arrangement; and either;
- The Company has transferred substantially all the risks and rewards of the asset or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been re-cognised in Statement of Profit or Loss.

Financial Liability

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

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

ERNST & YOUNG
Chartered Accountants
COLOMBO

2.3.1.7 Modification of Financial Instrument

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.3.1.8 Offsetting of Financial Instruments

Offset and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs.

2.3.1.9 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 37 to the Financial Statements.

2.3.1.10 Impairment of Financial Assets

2.3.1.10.1 SLFRS 9 – "Financial Instrument" – Key Transition Impact on the Impairment

The Company recognises loss allowance using expected Credit losses (ECL) on loans and receivables and other financial instrument measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

Under ECL model Company uses a dual measurement approach, under which the loss allowance is measured as either 12-month ECL or lifetime ECL. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Special rules apply to assets that are credit-impaired.

ERNST & YOUNG
Chartered Accountants
COLOMBO

The Company applies three-stage approach to measuring expected credit losses (ECL) on Loans and receivables and other financial assets measured at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk (SICR) since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Significant increase in credit risk and staging criteria standard (SLFRS 9) has given 30-day rebuttable presumption for increase in credit risk. However, the Company considers that the significant increase in credit risk do not occurred equal or later than 60 days (30 days past due)

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgments used in impairment model prescribed in SLFRS 9 which uses combination of both qualitative factors and backstop based on delinquency. It is considered that a significant increase in credit risk occurs no later than when an asset is equal or more than 90 days past due. Where there is a significant increase in credit risk Company uses lifetime ECL model to assess loss allowances instead of 12–month ECL model.

The indications of credit impairments are as similar to LKAS 39. The Company considers the indications of credit default do not occur equal or later than 180 days (or 150 days past due) which is in line with the regulatory definition of default.

The key inputs used for measurement of ECL are likely to be the term structures of the following variables:

Probability of Default (PD)	PD is estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Company forecast PD by incorporating forward looking economic variables such as Unemployment, GDP growth, Inflation, Risk free rate and using lag effect of these variables.
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.
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.

The Company has used these parameters from internally–developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

The ECL impairment is based on the credit losses expected to arise over the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments

a) Definition of Default and Cured

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 or the borrower becomes 150 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation or
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased

The Company's policy to re-classifies financial instruments out of the stage 3 when none of the default criteria have been presented and the borrower is no longer considered as none performing in accordance with the directives of the Central Bank.

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure.

b) Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECLs. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for equal or more than 30 days.

c) Calculation of Expected Credit Loss (ECL)

ECL is a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL is discounted at the effective interest rate of the financial asset.

2.3.1.10.2 Grouping Financial Assets Measure in Collective Assessment

The Company calculates ECLs either on a collective or an individual basis. The Company assesses the customers for individual impairment those who have exposure equal to or more than internally established threshold. However if the customer is determined to be not impaired, such customer will be moved back to collective ECL calculation.

For collective assessment, the Company categorises exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans and receivable as described below:

- Product type
- Equipment type
- Based on the risk characteristic

2.3.1.10.3 Debt Instrument Measured as FVOCI

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

2.3.1.10.4 Forward looking information

The Company incorporates forward looking information in to this model for calculation 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. Following are the forward looking economic inputs

- GDP rate
- Unemployment rate
- Risk free rate
- Inflation

2.3.1.10.5 Individually assessed loan and receivables

The Company evaluates all individual significant loan and receivable at each reporting date to determine whether there is any objective evidence that a loan is impaired. The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

ERNST & YOUNG
Chartered Accountants
COLOMBO

2.3.1.10.6 Write-offs

The Company's carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.3.1.10.7 Rescheduled and Restructured Loans

Rescheduled /restructured loans are classified in to the three stages as the date of restored based on the number of days in past due. Number of days in past due are calculated by adding arrears days before and after rescheduled. If the modification is substantial, loan is derecognised.

2.3.1.10.8 Renegotiated Loans

Where possible, the company seeks to restructure accommodations rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, impairment is measured using the original EIR as calculated before the modification of terms and the loan is considered with past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

The loans continue to be subject to a criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

2.3.1.10.9 Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the financial asset impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

2.3.2 Cash and Cash Equivalents

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

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

2.3.3 Leases

The company applied Sri Lanka Accounting Standard –SLFRS 16 "Leases".

ERNST & YOUNG
Chartered Accountants
COLOMBO

2.3.3.1 Identifying a lease

At inception of a contract, Company can assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether contract conveys the right to control the use of identified asset, the Company considers the following criteria

- A contract can involve the use of an identified asset when an asset is explicitly identified in a contract or if the asset is implicitly identified at the point at which it is made available for use by the customer. However, even if a contract specifies a particular asset, Company does not have the right to use that asset if the supplier has substantive right to substitute the asset throughout the period of use. That asset is not an identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and,
- The Company has the right to direct the use of an identified asset throughout the period of use only if either:

(a) the Company has the right to direct how and for what purpose the asset is used throughout the period of use or

(b) the relevant decisions about how and for what purpose the asset is used are predetermined and
   (i) the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

   (ii) the Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

2.3.3.2 The Company as the Lessee

The company recognises a right of use asset and lease liability at the commencement date. Initially, right of use asset is recognised at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right of use asset is subsequently measured at cost less any accumulated depreciation and accumulated impairment and adjusted for any measurement of the lease liability

Right of use asset is depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company apply LKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified

Lease liability is initially measured at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the Company's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments the fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently measured as amortised cost by using effective interest rate method.

The company discloses the right of use asset under note no 25.1 to the Financial Statements and corresponding lease liability under note no 25.2 to the Financial Statements.

Short tern lease and lease of low value assets

The Company elects not to recognise right of use asset and lease liability for either short-term leases or leases for which the underlying asset is of low value, the Company recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The Company apply another systematic basis if that basis is more representative of the pattern of the Company's benefit.

2.3.3.3 The Company as the Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Company recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Company apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Accounting policies applied by the Company as the Lessor in the comparative figure is not different with SLFRS 16

2.3.4 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.3.5 Dividends on Ordinary Shares

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

2.3.6 Other Non-Financial Assets

Other Non-Financial Assets includes advances paid for suppliers, prepayments, trading stock and tax receivables. Trading stock includes repossessed assets. Other Non-Financial Assets except for trading stock are valued at the lower. Trading stock is measured at the lower of cost or net realisable value.

2.3.7 Investment Properties

Recognition

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

Measurement

Investment properties are initially, recognised at its cost including related transactions cost. Subsequent to the initial recognition, Investment Properties are stated at fair value, which reflect market conditions at the reporting date.

Investment properties of the Company are carried at fair value, any gains or losses arising from changes in fair value are recognised to the Statement of Profit or Loss in the year in which they arise.

The Company measures the fair value of investment property and the Company obtains a valuation at least every three year by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

De-recognition

Investment property is derecognised upon disposal or when no future economic benefit is expected from its disposal. Any gains or losses arising on de-recognition is included in the Statement of Profit or Loss in the year in which the investment property is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

2.3.8 Property, Plant and Equipment

Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment.

Measurement

An item of Property, Plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

a) Cost Model

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

b) Revaluation Model

Under revaluation model, properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to profit and loss.

If the value is increased, it is recognized as income to the extent of previously written down. Any decrease in the carrying amount is recognized as expenses to the Statement of Profit and Loss or debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of such asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. 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 has not used the revaluation model to recognise the property plant and equipment.

Subsequent Cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. On-going repairs and maintenance cost are expensed as incurred

De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or losses arising from de-recognition of an item of property, plant and equipment is included in other operating income in the Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised.

At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised

Borrowing Cost

As per the Sri Lanka Accounting Standard – LKAS 23 on Borrowing Cost, 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. The Company does not capitalise any borrowing cost which is relating to the qualifying assets during the financial year under review.

2.3.9 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets include the value of computer software.

Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Company in previous Annual Financial Statements or Interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of 'Intangible Assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

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

De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

2.3.10 Other Financial Liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost. Other financial liabilities include trade payables, advances collected from customers and other financial payable. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

2.3.11 Other Non-Financial liabilities

The Company classifies all non-financial liabilities other than post-employment benefit liability, deferred tax and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include guarantee fee, statutory payments, provision and other non-financial payable. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

2.3.12 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. The following specific recognition criteria must also be met before revenue is recognised.

2.3.13 Interest Income and Interest expense

Under SLFRS 9, interest income or expense is recorded using the effective interest rate method (EIR) for all financial instruments measured at amortised cost, interest bearing financial assets designated at fair value through profit or loss and interest income on interest bearing financial assets designated at fair value through other comprehensive income under SLFRS 9.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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 assets. The calculation of the interest income does not revert to the gross basis, even if the credit risk of the asset improves.

2.3.14 Fee and Service Charge income

Fee and Service charge income includes transfer fee and service charges arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fee and Service charge income are given in note 7 to the Financial Statements.

2.3.15 Other Operating Income

Income earned from other sources, which are not directly related to the normal operations of the Company is recognised as other operating income. Other operating income includes gains/loss on disposal of property, plant and equipment, hiring income, rent income and dividend income. Other operating income is given in note 8 to the Financial Statements.

Dividend income

Dividend income is recognised when the right to receive the payment is established

Gain or Losses on Disposal of Property, Plant and Equipment

Gains or losses resulting from the disposal of property, plant and equipment are recognised in the Statement of Profit or Loss, in the period in which the sale occurs.

Operating Lease Income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on on-going leases and is recorded in the Statement of Profit or Loss in other operating income.

2.3.16 Impairment (Charges)/Reversal for Loans, Lease and Other Losses

The Company recognises the changes to the impairment provision for loans and other losses which are assessed as per the SLFRS 9. The methodology adopted by the Company is explained in the note 2.3.1.10 to the Financial Statements.

2.3.17 Personnel Expense

Personnel expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short Term Employee Benefits

Short term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Company has legal or constructive obligation to pay.

Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Defined Benefit Plan

Defined Benefit plan is post-employment benefit plan other than the Defined Contribution plan. The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS 19, Employee Benefits.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard- LKAS 19 - Employee Benefits.

2.3.18 Other Operating Expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year. Other operating expenses are given in note 9 to the financial Statements.

Depreciation of Property, Plant & Equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Estimated useful lives are as follows

Class of Asset	**Useful life**	**% per annum**
Motor Vehicles	4 Years	25
Furniture & Fittings	5 Years	20
Office Equipment	5 Years	20
Leasehold Improvements	3 Years	33.33

Amortization of Intangible Assets

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the assets economic benefits are consumed by the Company.

Intangible assets represent the cost of computer software and the useful life time is as follows.

Asset Category	**Useful life**	**% per annum**
Computer software	4 years	25

Amortization of Right of Use Assets

Asset Category	**Useful life**	**% per annum**
Right of Use Assets	4 years	25

Changes in Estimates

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

Deferred Expenses

The costs of acquiring new businesses including commission, marketing and promotional expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future rentals.

2.3.19 Taxation

2.3.19.1 Income taxation

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in Equity or in OCI.

a) Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in note 11 to the Financial Statements.

b) Deferred Tax Liability

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

c) Deferred Tax Assets

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in the equity and not in the Statement of Profit or Loss.

2.3.19.2 Value added tax (VAT) on finance service

VAT on financial services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees including cash benefits, none cash benefits and provision relating to termination benefits computed on prescribed rate

2.3.19.3 National building tax (NBT) on finance service

NBT on Financial Services is calculated in accordance with the Nations Building Tax Act (NBT) Act No. 9 of 2009 and amendments thereto, NBT was payable at 2% on Company’s value additions attributable to financial services with effect from 1st January 2014. However, NBT on Financial Services has been removed with effect from January 1, 2020.

2.3.19.4 Economic service charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No. 13 of 2006 and amendments thereto, Economic service charge is payable at 0.5% on Company’s liable turnover and is deductible from income tax payable. ESC is not payable on turnover on which income tax is payable. However, ESC has been removed with effect from January 1, 2020.

ERNST & YOUNG
Chartered Accountants
COLOMBO

2.3.19.5 Withholding tax on dividend (WHT)

WHT arises from the distribution of dividends by the Company and recognises at the time the liability to pay the related dividend is recognised. However, WHT on dividend payment has been removed with effect from January 1, 2020

3. Sri Lanka Accounting Standards issued but not yet effective as at March 31, 2021

The following new accounting standards/ amendments have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those accounting standards will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements. None of those have been early adopted by the Company.

3.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/ or amount of benchmark-based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform. These amendments are effective for the annual reporting periods beginning on or after 01 January 2021. The Bank is in the process of evaluating the impact of this amendment on Financial Statements.

3.2 Amendments to SLFRS 16: COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying Sri Lanka Accounting Standard - SLFRS 16 (Leases) guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020.

None of the new or amended pronouncements are expected to have a material impact on the Financial Statements in the foreseeable future.

4.	GROSS INCOME	Note	2021 Rs.	2020 Rs.
	Interest Income	5.1	6,671,345,866	8,346,986,053
	Fee & Service Charge Income	7	140,655,257	190,154,197
	Other Operating Income	8	35,292,673	65,673,056
	Changes in Fair Value of Investment Properties	22	14,113,612	-
			6,861,407,408	8,602,813,306

5.	INTEREST INCOME	2021 Rs.	2020 Rs.
5.1	Financial assets at Amortised Cost		
	Interest on Lease (Note 5.1.1)	5,887,820,343	7,102,086,189
	Interest on Stock Out on Hire	1,855	140,618
	Interest on Term loan	297,688,063	405,884,914
	Interest on Margin Trading	11,193,776	28,858,050
	Overdue Interest	344,280,793	491,992,474
	Interest on Saving Deposits	1,014,433	709,788
	Interest on Fixed Deposits	116,149,918	292,722,854
	Interest on Government Securities	13,196,685	24,591,166
		6,671,345,866	8,346,986,053

5.1.1 Interest on Lease

	2021	2020
Leasing Interest Income	6,745,135,415	8,033,770,953
Deferred Promotion Expenses	(857,315,072)	(931,684,764)
	5,887,820,343	7,102,086,189

6.	INTEREST EXPENSE	2021 Rs.	2020 Rs.
	Interest on Commercial Papers	189,332,857	297,376,839
	Interest on Bank Loans	681,432,832	1,238,317,480
	Interest on Intercompany Loans	597,657,445	1,041,373,376
	Interest on Bank Overdrafts	18,096,967	21,830,659
	Finance Lease (Note 25.2)	13,518,604	14,809,461
		1,500,038,705	2,613,707,815

7.	FEE & SERVICE CHARGE INCOME	2021 Rs.	2020 Rs.
	Service Charge	70,919,732	117,705,500
	Vehicle Transfer Fee	69,735,525	72,448,697
		140,655,257	190,154,197

8.	OTHER OPERATING INCOME	2021 Rs.	2020 Rs.
	Dividend Income	640,000	481,600
	Profit/(Loss) on Disposal of Property, Plant and Equipment	(47,581)	2,225,683
	Rent Income	15,408,731	23,958,921
	Other Income Recognised from Client	18,683,159	33,400,388
	Other Income	608,364	5,606,464
		35,292,673	65,673,056

ERNST & YOUNG
Chartered Accountants
COLOMBO

9. IMPAIRMENT CHARGES/ (REVERSAL) AND NET WRITE OFF

	2021 Rs.	2020 Rs.
Impairment charges		
Deposits with Licensed Commercial Banks (Note 9.1)	(2,431,134)	1,893,032
Financial Assets at amortised cost - Loans and Advances (Note 9.1)	213,262,111	20,696,561
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Note 9.1)	824,469,605	225,487,280
Other Charges Receivable from Client (Note 9.1)	3,016,437	931,390
	1,038,317,019	249,008,263
Provision against net write off		
Financial Assets at amortised cost - Loans and Advances (Note 17.3.1)	56,093,371	114,478,674
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Note 18.3.1)	155,819,079	181,430,172
Other Charges Receivable from Client (Note 20.2.3.1)	6,843,160	3,268,742
	218,755,610	299,177,588
Direct net write off		
Loans and Lease Rentals Receivables (Note 9.2)	98,974,970	550,782,211
	1,356,047,599	1,098,968,062

9.1. The table below shows the impairment charges for financial instruments for the year recorded in stagewise in Profit or Loss.

For the year 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	(2,431,134)	-	-	(2,431,134)
Financial assets at amortised cost - Loans and Advances	(23,434,835)	27,609,073	209,087,873	213,262,111
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	(97,643,714)	89,903,122	832,210,197	824,469,605
Other Charges Receivable from Client	(578,819)	1,231,310	2,363,946	3,016,437
	(124,088,502)	118,743,505	1,043,662,016	1,038,317,019

For the year 2020	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	1,893,032	-	-	1,893,032
Financial assets at amortised cost - Loans and Advances	9,563,104	27,181,183	(16,047,726)	20,696,561
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	96,466,696	73,652,103	55,368,481	225,487,280
Other Charges Receivable from Client	867,537	14,986	48,867	931,390
	108,790,369	100,848,272	39,369,622	249,008,263

9.2 Write Off & Write Back - Loan and Lease Receivable & Stock Out on Hire

	2021 Rs.	2020 Rs.
Direct write off during the year	262,661,119	749,220,229
Direct write back during the year	(163,686,149)	(198,438,018)
	98,974,970	550,782,211

9.3 Analysis of Write off and Write back

	2021 Rs.	2020 Rs.
Write off		
Direct write off during the year	262,661,119	749,220,229
Provision against write off		
Financial Assets at amortised cost - Loans and advances (Note 17.3.1)	56,141,871	116,987,022
Financial Assets at amortised cost - Lease Rental Receivables & Stock Out on Hire (Note 18.3.1)	160,887,276	210,603,303
Other Charges Receivable from Client (Note 20.2.3.1)	7,486,442	4,047,409
	487,176,708	1,080,857,963
Write back		
Direct write back during the year	(163,686,149)	(198,438,018)
Provision against write back		
Financial Assets at amortised cost - Loans and advances (Note 17.3.1)	(48,500)	(2,508,348)
Financial Assets at amortised cost - Lease Rental Receivables & Stock Out on Hire (Note 18.3.1)	(5,068,196)	(29,173,131)
Other Charges Receivable from Client (Note 20.2.3.1)	(643,282)	(778,667)
	(169,446,127)	(230,898,164)
	317,730,581	849,959,799

ERNST & YOUNG
Chartered Accountants
COLOMBO

10. PERSONNEL COSTS

	2021 Rs.	2020 Rs.
Salary & Bonus	584,101,247	604,848,608
Contribution to Defined Contribution Plan	62,226,841	61,899,903
Gratuity Charge for the Year (Refer Note No.31.3)	21,461,596	25,150,959
Staff Training	1,513,972	8,257,556
Staff Welfare Expenses	31,358,098	57,869,074
	700,661,754	758,026,100

11. OTHER OPERATING EXPENSES

	2021 Rs.	2020 Rs.
Directors' Emoluments	46,755,567	49,362,325
Auditors' Remuneration	2,609,280	2,799,393
Non-Audit Fee to Auditors	2,676,737	2,344,079
Professional & Legal Expenses	25,467,318	29,257,726
Depreciation on Property, Plant & Equipment	48,106,225	54,254,867
Amortization of Intangible Assets	21,644,755	19,543,617
Amortization of Right of Used Assets (Note 25.1)	42,540,535	44,741,158
Operating Lease Expense	62,620,376	62,809,280
Office Administration & Establishment Expenses	643,465,828	752,378,366
Advertising and Sales Commission Expenses	88,988,687	76,123,473
Insurance Expenses	21,173,853	19,819,322
Community Welfare Expense	681,696	9,102,632
	1,006,730,857	1,122,536,238

12. VAT & NBT ON FINANCIAL SERVICES

	2021 Rs.	2020 Rs.
VAT on Financial Services	405,189,111	496,081,181
NBT on Financial Services	4,198	43,841,949
	405,193,309	539,923,130

13. TAXATION

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

Income Statement	2021 Rs.	2020 Rs.
Current Income Tax		
Income Tax for the Year	905,438,521	1,157,266,650
Under/(Over) Provion of Current Taxes in Respect of Previous Year	5,000	15,987,156
	905,443,521	1,173,253,806
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Note 30)	(167,763,095)	(298,728,067)
	737,680,426	874,525,739

13. TAXATION (Contd...)

13.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

	2021 Rs.	2020 Rs.
Accounting Profit Before Income Taxation	1,892,735,184	2,469,651,961
Statutory Income Tax *	454,256,444	666,806,029
Tax Effect of Non Deductible Expenses	738,063,835	1,321,465,017
Tax Effect of Other Allowable Credits	(286,971,358)	(830,874,364)
Tax Effect of Exempt Income	-	(130,032)
Tax Effect of 14% Rate	89,600	
Tax Effect of Losses Claimed on Acquired Company	-	-
	905,438,521	1,157,266,650
Under/(Over) Provision of Current Tax in Respect of Previous Year	5,000	15,987,156
Deferred Taxation Charge/(Reversal) at 28% (Note 30)	(31,512,339)	-
Deferred Taxation Charge/(Reversal) at 24%(Note 30)	(136,250,756)	(298,728,067)
Total Expenses for the Year	737,680,426	874,525,739
Effective Tax Rate	38.97%	35.41%

* Statutory income tax has been calculated by using 24% for 2020/21.

14. EARNINGS PER SHARE

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

For the Year ended 31st March	2021 Rs.	2020 Rs.
Profit/ (Loss) attributable to Ordinary Shareholders	1,155,054,758	1,595,126,222
Weighted Average Number of Ordinary Shares during the year	133,958,971	133,958,971
Earnings Per Share	8.62	11.91

15. CASH AND CASH EQUIVALENTS

ERNST & YOUNG
Chartered Accountants
COLOMBO

	2021 Rs.	2020 Rs.
Cash in Hand	376,348,353	17,273,453
Cash at Bank	15,476,828	89,962,348
	391,825,181	107,235,801

15.1 For the purposes of the statement of cash flow, the year end cash and cash equivalents comprise the followings

Cash and Cash Equivalents	391,825,181	107,235,801
Deposits with Licensed Commercial Banks (Maturity less three Months)	1,180,000,000	2,050,000,000
Interest Receivables	72,530,548	187,217,507
Less: Impairment for expected credit losses	(330,229)	(2,761,363)
Bank Overdraft	(481,947,134)	(123,919,985)
Cash and Cash Equivalent for Cash Flows purpose	1,162,078,366	2,217,771,960

16. DEPOSITS WITH LICENSED COMMERCIAL BANKS

	2021 Rs.	2020 Rs.
Deposits with Licensed Commercial Banks	1,180,000,000	2,050,000,000
Interest Receivables	72,530,548	187,217,507
Less: Impairment for expected credit losses (Note 16.2)	(330,229)	(2,761,363)
	1,252,200,319	2,234,456,144

16.1 Analysis of Deposits with Licensed Commercial Banks based on Exposure to Credit Risk

	2021			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	1,180,000,000	-	-	1,180,000,000
Interest Receivables	72,530,548	-	-	72,530,548
Less: Impairment for expected credit losses	(330,229)	-	-	(330,229)
	1,252,200,319	-	-	1,252,200,319

	2020			
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	2,050,000,000	-	-	2,050,000,000
Interest Receivables	187,217,507	-	-	187,217,507
Less: Impairment for expected credit losses	(2,761,363)	-	-	(2,761,363)
	2,234,456,144	-	-	2,234,456,144

16.2 Impairment for Expected Credit Loss

	2021 Rs.	2020 Rs.
Balance as at 1st April	2,761,363	868,331
Net Impairment Charge/(Reversal)	(2,431,134)	1,893,032
Balance as at 31st March	330,229	2,761,363

17. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

	2021 Rs.	2020 Rs.
Term Loan	2,382,177,857	2,360,176,307
Margin Trading	204,531,073	109,665,960
	2,586,708,930	2,469,842,267
Less: Collective Impairment	(426,322,403)	(213,060,292)
	2,160,386,527	2,256,781,975

ERNST & YOUNG
Chartered Accountants
COLOMBO

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

17.1 Analysis of Financial Assets based on Exposure to Credit Risk -Loans and Advances

As at 31st March 2021	**Stage 01** **Rs.**	**Stage 02** **Rs.**	**Stage 03** **Rs.**	**Total** **Rs.**
Gross Loans and Advances	1,549,716,161	562,569,764	474,423,005	2,586,708,930
Impairment for Expected Credit Losses	(21,141,868)	(70,152,116)	(335,028,419)	(426,322,403)
Net Loans and Advances	1,528,574,293	492,417,648	139,394,586	2,160,386,527

As at 31st March 2020	**Stage 01** **Rs.**	**Stage 02** **Rs.**	**Stage 03** **Rs.**	**Total** **Rs.**
Gross Loans and Advances	2,104,834,476	176,043,131	188,964,660	2,469,842,267
Impairment for Expected Credit Losses	(44,576,702)	(42,543,043)	(125,940,547)	(213,060,292)
Net Loans and Advances	2,060,257,774	133,500,088	63,024,113	2,256,781,975

17.2 Impairment for Expected Credit Losses -Loans and Advances

	2021 **Rs.**	**2020** **Rs.**
Balance as at 01 April	213,060,292	192,363,731
Gross Charge to Profit or Loss (Note 17.3)	269,355,482	135,175,235
Provision Against Net Write Off during the year (Note 17.3.1)	(56,093,371)	(114,478,674)
Balance as at 31 March	426,322,403	213,060,292

17.3 Movement in Impairment for Expected Credit Losses Based on Exposure to Credit Risk-Loans and Advances

	Stage 01 **Rs.**	**Stage 02** **Rs.**	**Stage 03** **Rs.**	**Total** **Rs.**
Balance as at 01 April 2020	44,576,702	42,543,043	125,940,547	213,060,292
Gross Charge to Profit or Loss	(23,372,291)	28,326,126	264,401,647	269,355,482
Provision Against Net Write Off during the year (Note 17.3.1)	(62,544)	(717,053)	(55,313,774)	(56,093,371)
Balance as at 31 March 2021	21,141,867	70,152,116	335,028,420	426,322,403

17.3.1 Provision Against Net Write Off	**Stage 01** **Rs.**	**Stage 02** **Rs.**	**Stage 03** **Rs.**	**Total** **Rs.**
Provision against write off	62,544	717,053	55,362,274	56,141,871
Provision against write back	-	-	(48,500)	(48,500)
	62,544	717,053	55,313,774	56,093,371

18. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & STOCK OUT ON HIRE

	2021 Rs.	2020 Rs.
Gross Rentals Receivables	37,818,492,070	42,364,472,366
Less: Unearned Income	(10,367,260,623)	(11,446,185,932)
Less: Specific Impairment	-	(5,689,124)
Less: Collective Impairment	(1,596,720,481)	(766,561,751)
Total Rentals Receivable (Note 18.4 & 18.5)	25,854,510,966	30,146,035,559

Lease rental receivables include receivables amounting to Rs. 3,880 Mn- (2020 Rs. 3,880 Mn) that have been assigned under a securitisation funding arrangement.

18.1 Analysis of Financial Assets based on Exposure to Credit Risk -Lease Rental Receivables & Stock Out on Hire

As at 31st March 2021	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Gross Lease Rental receivables & Stock Out on Hire	19,104,161,397	5,405,456,410	2,941,613,640	27,451,231,447
Impairment for Expected Credit Losses	(170,270,951)	(321,667,966)	(1,104,781,563)	(1,596,720,481)
Net Lease Rental receivables & Stock Out on Hire	18,933,890,446	5,083,788,444	1,836,832,076	25,854,510,966

As at 31st March 2020	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	24,663,545	4,436,564	3,787,076	32,887,185
Exposure subject to Collective Impairment	26,797,335,644	3,537,396,614	550,666,991	30,885,399,249
Gross Lease Rental receivables & Stock Out on Hire	26,821,999,189	3,541,833,178	554,454,067	30,918,286,434
Impairment for Expected Credit Losses	(267,914,665)	(231,764,845)	(272,571,365)	(772,250,875)
Net Lease Rental receivables & Stock Out on Hire	26,554,084,524	3,310,068,333	281,882,702	30,146,035,559

18.2 Impairment for Expected Credit Losses -Lease Rental Receivables & Stock Out on Hire

	2021 Rs.	2020 Rs.
Balance as at 01 April	772,250,875	546,763,595
Gross Charge to Profit or Loss (Note 18.3)	980,288,685	406,917,452
Provision Against Net Write Off (Note 18.3.1)	(155,819,079)	(181,430,172)
Balance as at 31 March	1,596,720,481	772,250,875

18.3 Movement in Impairment for Expected Credit Losses Based on Exposure to Credit Risk-Lease Rental Receivables & Stock Out on Hire

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2020	267,914,665	231,764,845	272,571,365	772,250,875
Gross Charge to Profit or Loss	(94,198,583)	117,332,272	957,154,996	980,288,685
Provision Against Net Write Off during the year (Note 18.3.1)	(3,445,130)	(27,429,150)	(124,944,799)	(155,819,079)
Balance as at 31 March 2021	170,270,952	321,667,967	1,104,781,562	1,596,720,481

18.3.1 Provision Against Net Write Off

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Provision against write off	4,061,981	28,900,650	127,924,645	160,887,276
Provision against write back	(616,851)	(1,471,500)	(2,979,846)	(5,068,196)
	3,445,130	27,429,150	124,944,799	155,819,079

ERNST & YOUNG
Chartered Accountants
COLOMBO

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

18.4 As at 31st March 2021

	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Rental Receivables	17,426,951,715	20,327,738,681	63,801,674	37,818,492,070
Less: Unearned Income	(5,287,231,553)	(5,076,447,261)	(3,581,809)	(10,367,260,623)
	12,139,720,162	15,251,291,420	60,219,865	27,451,231,447
Less: Specific Provision				-
Less: Collective Impairment				(1,596,720,481)
				25,854,510,966

18.5 As at 31st March 2020

	1 Year Rs.	1- 5 Year Rs.	More than 5 Rs.	Total Rs.
Rental Receivables	20,376,142,784	21,925,240,725	63,088,857	42,364,472,366
Less: Unearned Income	(6,296,281,783)	(5,144,906,751)	(4,997,398)	(11,446,185,932)
	14,079,861,001	16,780,333,974	58,091,459	30,918,286,434
Less: Specific Provision				(5,689,124)
Less: Collective Impairment				(766,561,751)
				30,146,035,559

19. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 Rs.	2020 Rs.
Treasury Bond	121,010,284	139,197,909
Unquoted Shares	194,700	194,700
	121,204,984	139,392,609

The unquoted ordinary shares include investments that have been made primarily for the regulatory purpose. Such investments are recorded at cost due to unavailability of information to value such investments at fair value.

20. OTHER FINANCIAL ASSETS

	Note	2021 Rs.	2020 Rs.
Refundable Deposits and Prepayment		19,192,783	23,422,398
Amounts Due From Related Parties	20.1	84,667,599	123,908,733
Other Charges Receivable from Client	20.2	66,069,303	72,332,381
		169,929,685	219,663,512

ERNST & YOUNG
Chartered Accountants
COLOMBO

20. OTHER FINANCIAL ASSETS (Contd...)

20.1 Amounts Due From Related Parties

Amounts Due From Related Parties	Relationship	Note	2021 Rs.	2020 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	36.3	31,578	31,578
David Pieris Motor Company Lanka (Pvt) Ltd	Affiliate Company	36.3	21,568	-
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	36.3	1,006,010	2,183,305
DP Global Ventures (Pvt) Ltd	Affiliate Company	36.3	-	12,951
DP Logistics (Pvt) Ltd	Affiliate Company	36.3	927,946	585,822
DP Automobiles (Pvt) Ltd	Affiliate Company	36.3	81,444,347	119,046,747
David Pieris Racing & Leisure (Pvt) Ltd	Affiliate Company	36.3	-	6,620
DPMC Assetline Holding (Pvt) Ltd	Parent Company	36.3	-	1,861
Assetline Corporate Services (Pvt) Ltd	Affiliate Company	36.3	-	89,750
Assetline Securities (Pvt) Ltd	Affiliate Company	36.3	2,401	2,872
Assetline Insurance Brokers (Pvt) Ltd	Affiliate Company	36.3	-	137,652
Assetline Capital (Pvt) Ltd	Affiliate Company	36.3	-	15,018
DP Infotech (Pvt) Ltd	Affiliate Company	36.3	1,233,749	1,794,557
			84,667,599	123,908,733

20.2 Other Charges Receivable from Client

	2021 Rs.	2020 Rs.
Other Charges Receivable from Client	71,041,031	74,287,672
Less: Specific Impairment	-	(92,061)
Less: Collective Impairment	(4,971,728)	(1,863,230)
	66,069,303	72,332,381

20.2.1 Analysis of Other Financial Assets based on Exposure to Credit Risk -Other Charges Receivable from Client

As at 31st March 2021	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Gross Loan and Lease Rental receivables & Stock Out on Hire	17,576,242	18,203,220	35,261,569	71,041,031
Impairment for Expected Credit Losses	(1,040,180)	(1,445,436)	(2,486,112)	(4,971,728)
Net Loan and Lease Rental receivables & Stock Out on Hire	16,536,062	16,757,784	32,775,457	66,069,303

As at 31st March 2020	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	9,905	82,156	92,061
Exposure subject to Collective Impairment	64,170,933	8,562,218	1,462,460	74,195,611
Gross Loan and Lease Rental receivables & Stock Out on Hire	64,170,933	8,572,123	1,544,616	74,287,672
Impairment for Expected Credit Losses	(1,619,000)	(214,127)	(122,164)	(1,955,291)
Net Loan and Lease Rental receivables & Stock Out on Hire	62,551,933	8,357,996	1,422,452	72,332,381

20.2.2 Impairment for Expected Credit Losses -Other Charges Receivable from Client

	2021 Rs.	2020 Rs.
Balance as at 01 April	1,955,291	1,023,901
Gross Charge to Profit or Loss (Note 20.2.3)	9,859,597	4,200,132
Provision Against Net Write Off (Note 20.2.3.1)	(6,843,160)	(3,268,742)
Balance as at 31 March	4,971,728	1,955,291

20.2.3 Movement in Impairment for Expected Credit Losses Based on Exposure to Credit Risk-Other Charges Receivable from Client

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2020	1,619,000	214,127	122,164	1,955,291
Gross Charge to Profit or Loss	(567,119)	1,936,947	8,489,769	9,859,597
Provision Against Net Write Off (Note 20.2.3.1)	(11,700)	(705,637)	(6,125,823)	(6,843,160)
Balance as at 31 March 2021	1,040,181	1,445,437	2,486,110	4,971,728

20.2.3.1 Provision Against Net Write Off

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Provision against write off	15,345	1,018,242	6,452,855	7,486,442
Provision against write back	(3,645)	(312,605)	(327,032)	(643,282)
	11,700	705,637	6,125,823	6,843,160

ERNST & YOUNG Chartered Accountants COLOMBO

21. OTHER NON FINANCIAL ASSETS

	2021 Rs.	2020 Rs.
Trading Stock	21,863,393	40,325,515
Other Receivables	17,997,535	19,660,477
	39,860,928	59,985,992

22. INVESTMENT PROPERTY

22.1 Qualitative and Quantitative disclosures of the Investment properties

	2021 Rs.	2020 Rs.
Balance at the beginning of the year	287,286,388	287,000,000
Improvement Cost	-	286,388
Change in Fair Value of Investment Property	14,113,612	-
Balance at the end of the year	301,400,000	287,286,388

The Company obtains a valuation at least every three year by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The Company has obtained valuation for the current year which has been performed by Mr. U.S. Silva Chartered Valuation Surveyor as at 31 March 2021. The Investment Property of the Company includes the followings

Location	Buildings Sq. Ft	Land in Extent	Fair Value 2021	Fair Value 2020
Pelawatta - Parliament Road	11040	08P	107,000,000	101,213,922
Pelawatta - Pannipitiya Road	7383	08.46P	86,800,000	82,072,466
Ward Place - Colombo 08	2475	03.36P	38,100,000	36,000,000
Nugegoda	-	17P	69,500,000	68,000,000
Embilipitiya	1224	27A 01R 24P	21,200,000	21,200,000
Provision made - Embilipitiya			(21,200,000)	(21,200,000)
			301,400,000	287,286,388

22.2 Net profit from investment properties

	2021 Rs.	2020 Rs.
Rental income derived from investment properties	9,479,240	10,880,445
Direct operating expenses (including repair and maintenance) generate rental income	(1,004,225)	(1,346,814)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(583,552)	(3,550,270)
Net profit arising from investment properties carried at fair value	7,891,463	5,983,361

22.3 Fair value related disclosures of the Investment Properties

Fair Value hierarchy

The fair value of the Company's investment property are categorised into Level 3 of the fair value hierarchy.

Valuation techniques and significant unobservable inputs

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

Type of Property	Valuation technique	Significant unobservable inputs	Range 2021	Range 2020
Land & Building	Cost Method/Direct Comparison Method	Estimated Price per sq.ft (Building)	Rs. 4,500- Rs. 7,350	Rs. 5,500- Rs. 7,000
		Estimated Price per perch (Land)	Rs. 5.7 Mn- Rs. 9.0Mn	Rs. 5.5 Mn- Rs. 8.5Mn
Land	Direct Comparison Method	Estimated Price per perch	Rs. 4.25 Mn	Rs. 4 Mn

Significant increase/(decrease) in this input in isolation would result in a significant (lower)/higher fair value.

23. PROPERTY, PLANT AND EQUIPMENT

23.1 Gross Carrying Amounts

	Balance As at 01.04.2020 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
Motor Vehicles	150,000	-	-	150,000
Furniture & Fittings	44,226,103	202,124	(79,728)	44,348,499
Office Equipment	258,999,141	13,083,452	(4,903,559)	267,179,033
Leasehold Improvements	101,436,140	4,674,012	-	106,110,152
Total	404,811,384	17,959,588	(4,983,287)	417,787,684

23.2 Depreciation

	Balance As at 01.04.2020 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
Motor Vehicles	150,000	-	-	150,000
Furniture & Fittings	32,369,679	4,691,946	(57,470)	37,004,154
Office Equipment	193,406,987	28,993,969	(4,579,723)	217,821,233
Leasehold Improvements	82,411,598	14,627,970	-	97,039,568
	308,338,264	48,313,885	(4,637,193)	352,014,955

23.3 Gross Carrying Amounts

	Balance As at 01.04.2019 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
Motor Vehicles	3,410,000	-	(3,260,000)	150,000
Furniture & Fittings	41,843,044	2,735,083	(352,024)	44,226,103
Office Equipment	247,181,850	18,545,410	(6,728,119)	258,999,141
Leasehold Improvements	97,608,616	3,827,524	-	101,436,140
	390,043,510	25,108,017	(10,340,143)	404,811,384

23.4 Depreciation

	Balance As at 01.04.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
Motor Vehicles	3,410,000	-	(3,260,000)	150,000
Furniture & Fittings	27,112,766	5,570,309	(313,396)	32,369,679
Office Equipment	165,089,610	34,925,822	(6,608,445)	193,406,987
Leasehold Improvements	68,652,862	13,758,736	-	82,411,598
	264,265,238	54,254,867	(10,181,841)	308,338,264

23.5 Net Book Values

	2021 Rs.	2020 Rs.
Furniture & Fittings	7,344,345	11,856,424
Office Equipment	49,357,800	65,592,154
Leasehold Improvements	9,070,584	19,024,542
	65,772,729	96,473,120
	65,772,729	96,473,120

ERNST & YOUNG Chartered Accountants COLOMBO

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 17.96 Mn (2020 Rs. 25.10 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31st March 2021 is Rs. 234.4 Mn (2020 Rs. 169.6 Mn).

24. INTANGIBLE ASSETS

		Balance As at 01.04.2020 Rs.	Additions Improvements Charge to P/L Rs.	Balance As at 31.03.2021 Rs.
24.1	Cost of the Intangible Assets	110,030,052	14,566,828	124,596,880
	Amortisation & Impairment	(80,092,796)	(21,644,755)	(101,737,551)
	Net Book Value	29,937,256		22,859,329

		Balance As at 01.04.2019 Rs.	Additions Improvements Charge to P/L Rs.	Balance As at 31.03.2020 Rs.
24.2	Cost of the Intangible Assets	107,377,282	2,652,770	110,030,052
	Amortisation & Impairment	(60,549,179)	19,543,617	80,092,796
	Net Book Value	46,828,103		29,937,256

25. RIGHT OF USE ASSETS

25.1 Gross Carrying Amounts

	2021 Rs.	2020 Rs.
Balance as at 01 April	158,198,420	147,269,131
Addition and Improvement	17,783,980	10,929,289
Removal	(8,972,436)	-
Balance as at 31 March	167,009,964	158,198,420

Accumulated Amortisation

	2021 Rs.	2020 Rs.
Balance as at 01 April	44,741,158	-
Charge for the Year	42,540,535	44,741,158
Prior Year Adjusment	106,975	-
Removal	(8,972,436)	-
Balance as at 31 March	78,416,231	44,741,158
Net Book value as at 31 March	88,593,733	113,457,262

25.2 Lease Liability

	2021 Rs.	2020 Rs.
Balance as at 01 April	116,950,902	147,269,131
Additions	17,783,980	10,929,289
Ascertain of Interest	13,518,604	14,809,461
Prior Year Adjusment	207,247	-
Payment	(40,566,674)	(56,056,979)
Balance as at 31 March	107,894,059	116,950,902

ERNST & YOUNG Chartered Accountants COLOMBO

Maturity Analysis of Lease Liability

	2021 Rs.	2020 Rs.
Less than one Year	44,117,144	6,098,699
1-5 Year	82,458,581	100,181,489
More than 5 Year	6,609,313	10,670,714
	133,185,038	116,950,902

26. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

	Note	2021 Repayable within 1 year Rs.	2021 Repayable after 1 year Rs.	2021 Total Rs.	2020 Repayable within 1 year Rs.	2020 Repayable after 1 year Rs.	2020 Total Rs.
Bank Loans	26.1	8,581,680,110	1,398,580,534	9,980,260,644	5,987,082,326	2,374,011,622	8,361,093,948
Commercial Papers	26.2	2,026,999,862	-	2,026,999,862	2,678,716,410	-	2,678,716,410
Inter Company Borrowings	26.3	1,239,386,178	799,999,974	2,039,386,152	7,632,016,293	1,233,000,000	8,865,016,293
		11,848,066,150	2,198,580,508	14,046,646,658	16,297,815,029	3,607,011,622	19,904,826,651

26. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS (Contd..)

26.1 Bank Loans

	As at 31.03.2020			Loans	Interest	Capital	Interest	EIR	As at 31.03.2021		
	Capital	Int. Payable	Total	Obtained	Expenses	Repayment	Paid	Adjustment	Capital	Int. Payable	Total
	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Commercial Bank of Ceylon PLC											
LoanNo:1915253	135,536,000	246,155	135,782,155	-	2,223,451	135,536,000	2,469,606		-	-	-
LoanNo:1989383	200,032,000	469,993	200,501,993	-	9,787,370	200,032,000	10,257,363		-	-	-
STL	1,100,000,000	3,944,932	1,103,944,932	3,600,000,000	46,496,495	3,600,000,000	48,387,260	2,681	1,099,997,319	2,056,848	1,102,054,167
Hatton National Bank PLC											
STL	2,200,000,000	10,658,979	2,210,658,979	8,300,000,000	137,447,059	8,300,000,000	144,790,460	4,166	2,199,995,834	3,319,744	2,203,315,578
Sampath Bank PLC											
STL	-	-	-	702,520,000	2,241,993	402,520,000	1,965,784	749	299,999,251	276,958	300,276,208
Nations Trust Bank PLC											
STL	1,230,000,000	5,925,245	1,235,925,245	5,550,000,000	61,689,481	5,380,000,000	64,487,341	1,296	1,399,998,704	3,128,681	1,403,127,385
Nations Trust Bank PLC											
STL	-	-	-	450,000,000	4,134,297	150,000,000	1,430,137	4,945	299,995,055	2,709,105	302,704,160
Seylan Bank											
LTL -1	-	-	-	500,000,000	1,975,318	-	-	4,134	499,995,866	1,979,452	501,975,318
LTL -2	-	-	-	500,000,000	115,262	-	-	1,176	499,998,824	116,438	500,115,262
STL	1,100,000,000	3,761,066	1,103,761,066	6,975,000,000	121,342,504	6,075,000,000	120,031,418	3,128	1,999,996,872	5,075,279	2,005,072,152
Securitization 01	1,983,155,116	387,364,462	2,370,519,578	2,000,000,000	293,979,602	2,400,000,000	602,878,767	(14,289,924)	1,597,445,040	64,175,373	1,661,620,413
	7,948,723,116	412,370,832	8,361,093,948	28,577,520,000	681,432,832	26,643,088,000	996,698,136	(14,267,649)	9,897,422,765	82,837,879	9,980,260,644

26. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS (Contd...)

26.1 Bank Loans (Contd…)

Name of the Bank	Repayment Terms
Seylan Bank PLC	20 equal monthly installments
Seylan Bank PLC	Within 2 months
Commercial Bank of Ceylon PLC	Within 1 months
Hatton National Bank PLC	Within 1 months
Nations Trust Bank PLC	Within 2 months
National Development Bank PLC	Within 1 months
Sampath Bank PLC	Within 1 months

26.2 Commercial Papers

	2021 Repayable within 1 year Rs.	2021 Repayable after 1 year Rs.	2021 Total Rs.	2020 Repayable within 1 year Rs.	2020 Repayable after 1 year Rs.	2020 Total Rs.
Commercial Papers	1,860,028,697	-	1,860,028,697	2,536,254,547	-	2,536,254,547
Interest Payable	166,971,165	-	166,971,165	142,461,863	-	142,461,863
	2,026,999,862	-	2,026,999,862	2,678,716,410	-	2,678,716,410

26.3 Inter Company Borrowings

	2021 Repayable within 1 year Rs.	2021 Repayable after 1 year Rs.	2021 Total Rs.	2020 Repayable within 1 year Rs.	2020 Repayable after 1 year Rs.	2020 Total Rs.
David Pieris Motor Company (Lanka) Ltd	549,999,361	799,999,974	1,349,999,335	7,507,000,000	550,000,000	8,057,000,000
Assetline Insurance Brokers (Pvt) Ltd	215,999,485	-	215,999,485	80,000,000	216,000,000	296,000,000
DPMC Assetline Holdings (Pvt) Ltd	189,999,917	-	189,999,917	-	190,000,000	190,000,000
Assetline Capital (Pvt) Ltd	129,999,845	-	129,999,845	-	130,000,000	130,000,000
Assetline Securities (Pvt) Ltd	76,999,930	-	76,999,930	-	77,000,000	77,000,000
DP Logistics (Pvt) Ltd	69,999,948	-	69,999,948	-	70,000,000	70,000,000
Interest Payable	6,387,692	-	6,387,692	45,016,293	-	45,016,293
	1,239,386,178	799,999,974	2,039,386,152	7,632,016,293	1,233,000,000	8,865,016,293

26.4 Terms & Condition for Inter Company Borrowings

Inter Company Borrowings	Facility Amount	Maturity Date	Period	Repayment Terms
David Pieris Motor Company (Lanka) Ltd	250,000,000	3/19/2022	24 Months	At Maturity
David Pieris Motor Company (Lanka) Ltd	300,000,000	6/20/2021	24 months	At Maturity
David Pieris Motor Company (Lanka) Ltd	800,000,000	5/27/2022	24 months	At Maturity
Assetline Insurance Brokers Pvt Ltd	140,000,000	9/15/2021	24 months	At Maturity
Assetline Insurance Brokers Pvt Ltd	25,000,000	7/5/2021	24 months	At Maturity
Assetline Insurance Brokers Pvt Ltd	51,000,000	10/7/2021	24 months	At Maturity
Assetline Securities Pvt Ltd	22,000,000	7/19/2021	24 months	At Maturity
Assetline Securities Pvt Ltd	30,000,000	7/5/2021	24 months	At Maturity
Assetline Securities Pvt Ltd	25,000,000	11/29/2021	24 months	At Maturity
Assetline Capital Pvt Ltd	100,000,000	7/5/2021	24 months	At Maturity
Assetline Capital Pvt Ltd	30,000,000	9/12/2021	24 months	At Maturity
DP Logistics Pvt Ltd	70,000,000	7/5/2021	24 months	At Maturity
DPMC Assetline Holdings Pvt Ltd	190,000,000	9/28/2021	24 Months	At Maturity

ERNST & YOUNG
Chartered Accountants
COLOMBO

27. OTHER FINANCIAL LIABILITIES

	Note	2021 Rs.	2020 Rs.
Trade - Related Parties	27.1	126,329,683	513,014,926
Trade - Other Parties		235,817,797	530,680,757
Amount collected from customers		441,967,139	306,797,567
Amounts Due to Related Parties	27.2	22,553,653	60,747,576
Lease Liability (Note 25.2)		107,894,059	116,950,902
Advertising and Promotion Expenses Payable		33,267,853	22,222,006
Other Creditor		106,252,558	171,414,173
		1,074,082,742	1,721,827,907

27.1 Trade Payables to Related Parties

	Relationship	Note	2021 Rs.	2020 Rs.
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	36.3	-	416,135,921
David Pieris Motor Company (Lanka) Ltd	Affiliate Company	36.3	120,000	80,737,505
David Pieris Automobiles (Pvt) Ltd	Affiliate Company	36.3	126,209,683	16,141,500
			126,329,683	513,014,926

27.2 Amounts Due to Related Parties

	Relationship	Note	2021 Rs.	2020 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	36.3	11,912,000	37,935,101
DPMC Assetline Holdings (Pvt) Ltd	Parent Company	36.3	-	1,372,568
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	36.3	4,955,712	11,507,077
David Pieris Motor Company (Lanka) Ltd	Affiliate Company	36.3	-	125,166
David Pieris Racing & Leisure (Pvt) Ltd	Affiliate Company	36.3	-	872,350
DP Infotech (Pvt) Ltd	Affiliate Company	36.3	5,608,653	5,373,214
DP Automobiles (Pvt) Ltd	Affiliate Company	36.3	49,263	418,000
DP Logistics (Pvt) Ltd	Affiliate Company	36.3	-	2,224,511
Assetline Corporate Services (Pvt) Limited	Affiliate Company	36.3	1,080	861,620
Assetline Capital (Pvt) Ltd	Affiliate Company	36.3	26,945	57,969
			22,553,653	60,747,576

28. OTHER NON FINANCIAL LIABILITIES

	2021 Rs.	2020 Rs.
Guarantee Fee	131,292	352,218
Statutory Payment	70,972,212	47,868,967
Sundry Creditors	1,633,007	1,639,746
	72,736,511	49,860,931

29. INCOME TAX LIABILITIES

Income Taxation Payable	2021 Rs.	2020 Rs.
As at 01 April	194,298,493	574,021,934
Income Tax Paid	(842,615,177)	(1,446,787,453)
Adjustment (ESC/ WHT ect.)	-	(106,189,794)
Prior year (Over)/Under Provision	5,000	15,987,156
Provision for the Year (Note 13.1)	905,438,521	1,157,266,650
As at 31 March	257,126,837	194,298,493

ERNST & YOUNG
Chartered Accountants
COLOMBO

30. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 24% (2020 - 24%).

The movement on the deferred income tax asset/(liability) account is as follows ,

	2021 Rs.	2020 Rs.
Balance as at 1 April	(357,252,116)	(654,424,647)
Charge to Profit or Loss	167,763,096	298,728,067
Charge to Other Comprehensive Income	(1,415,013)	(1,555,536)
Balance as at 31 March	(190,904,033)	(357,252,116)

Deferred Tax Assets (Liabilities) and Income Tax Relates to the Following

	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(4,793,693)	(13,703,029)	8,909,336	4,339,004	-	-
Fair Vaule Gain on IP	(1,830,000)	-	(1,830,000)			
Depreciation of Lease Assets	(210,637,308)	(377,776,678)	167,139,370	277,494,720	-	-
	(217,261,001)	(391,479,707)	174,218,706	281,833,724	-	-
Deferred Tax Assets						
Right of Use of Assets	4,632,078	11,110,780	(6,478,702)	11,110,780		
Retirement Benefit Obligation	21,724,890	23,116,811	23,092	5,783,563	(1,415,013)	(1,555,536)
	26,356,968	34,227,591	(6,455,610)	16,894,343	(1,415,013)	(1,555,536)
Deferred Income Tax (Charge)/Reversal			167,763,096	298,728,067	(1,415,013)	(1,555,536)
	(190,904,033)	(357,252,116)				

31. RETIREMENT BENEFIT OBLIGATIONS

31.1 Net Liability Recognised in the Statement of Financial Position

	Note	2021 Rs.	2020 Rs.
Balance as at 1 April		82,560,039	67,459,943
Provision made during the year	31.3 & 31.4	15,565,710	19,595,474
Net Payments received for those who trasfered in during the period	31.2	624,725	-
Benefits paid by the plan	31.2	(8,230,100)	(4,495,378)
Balance as at 31 March		90,520,374	82,560,039

ERNST & YOUNG
Chartered Accountants
COLOMBO

31. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

31.2 Defined Benefit Obligation

		2021 Rs.	2020 Rs.
Balance as at 1 April		82,560,039	67,459,943
Current Service Cost	31.3	13,255,128	18,033,973
Interest Cost	31.3	8,206,468	7,116,986
Benefits paid by the plan		(8,230,100)	(4,495,378)
Net Payments received for those who trasfered in during the period		624,725	-
(Gains) /Losses due to the Changes in Financial Assumptions	31.4	(6,107,747)	(139,435)
(Gains) /Losses due to the Changes in experience	31.4	257,345	(5,416,050)
(Gains) /Losses due to the Changes in Demographic Assumptions	31.4	(45,484)	-
Balance as at 31 March		90,520,374	82,560,039

31.3 Amounts Recognised in Profit or Loss

	2021	2020
Current Service Cost for the Year	13,255,128	18,033,973
Interest Cost for the Year	8,206,468	7,116,986
	21,461,596	25,150,959

31.4 Amounts Recognised in Other Comprehensive Income

	2021	2020
(Gains) /Losses due to the Changes in Financial Assumptions	(6,107,747)	(139,435)
(Gains) /Losses due to the Changes in experience	257,345	(5,416,050)
(Gains) /Losses due to the Changes in Demographic Assumptions	(45,484)	-
	(5,895,886)	(5,555,485)

31.5 Distribution of Present Value of Defined Benefit Obligation

Within the next 12 months	11,627,334
Between 1 to 5 years	41,878,205
Between 5 to 10 years	21,496,751
More than 10 years	15,518,084
	90,520,374

ERNST & YOUNG
Chartered Accountants
COLOMBO

31.6 Assumptions

	2021	2020
Discount Rate	8.00%	9.94%
Salary Increment	7.00%	10.00%
Retirement Age	55 Years	55 Years
Expected Average Future Working Years	5 Years	6.14 Years

31.7 Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the statement of Comprehensive income and statement of Financial Position is the effect of the assumed changes in discount rate and salary scale in the profit or loss and retirement benefit obligation for the year.

	2021		
Increase/(Decrease) in discount rate	**Increase/(Decrease) in salary increment**	**Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)**	**Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)**
1%		0.78	4.99
-1%		-0.87	-5.58
	1%	-0.93	-6.01
	-1%	0.85	5.47

	2020		
Increase/(Decrease) in discount rate	**Increase/(Decrease) in salary increment**	**Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)**	**Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)**
1%		4.65	-4.65
-1%		-5.21	5.21
	1%	-5.03	5.03
	-1%	4.58	-4.58

32. STATED CAPITAL

Issued and Fully Paid-Ordinary Shares	2021 No of Shares	2021 Rs.	2020 No of Shares	2020 Rs.
Stated Capital	133,958,971	3,550,000,000	133,958,971	3,550,000,000
	133,958,971	3,550,000,000	133,958,971	3,550,000,000

The Authorised Capital and Par Value Concept in relation to shares were abolished by the Companies Act No. 07 of 2007. The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital.

Stated Capital

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

33. STATUTORY RESERVE FUND

The Reserve Fund is maintained in compliance with the Central Bank Direction No. 5 of 2006 issued to specialised leasing companies. As per the said Direction, every registered Finance Leasing Establishment shall maintain a reserve fund, out of the net profit after the payment of tax of each year, before any dividend is declared. A sum equivalent to not less than 5 percent of such profits should be transferred until the amount of the Reserve Fund is equal to 50 percent of the issued and paid up ordinary share capital of the relevant establishment and further a sum equivalent to not less than 2 percent of such profits until the amount of Reserve Fund is equal to the issued and paid- up ordinary share capital of the relevant establishment.

	2021 Rs.	2020 Rs.
At the beginning of the year	902,552,488	822,796,177
Profit transferred during the year	57,752,738	79,756,311
At the end of the year	960,305,226	902,552,488

34. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

Fair value through other comprehensive income reserve, which comprises changes in fair value of Financial Assets - Fair Value through Other Comprehensive Income

	2021 Rs.	2020 Rs.
Balance as at 1 April	3,790,410	1,683,172
Changes in fair value during the year	(364,270)	2,107,238
Balance as at 31 March	3,426,140	3,790,410

35. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividend payments.

36. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details which are reported below,

36.1 Terms and Condition

The Company carries out transactions with Parent Company, Appellate Company, KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

36.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures) key managerial personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e planning, directing and controlling the activities of the entity).

KMP of the Company

Key Management Person are Directors of the Company, Compliance Officer of the Company and the Chief Executive Officer of the Company.

36.2.1 Key Management Personnel Compensation

	2021 Rs.	2020 Rs.
Short Term Employees Benefits	42,655,334	33,331,170
Post - Employment Benefits	969,600	1,749,600
Money Value of Perquisites	103,981	-
Other Long Term Benefits	258,000	572,000
	43,986,915	35,652,770

36.2.2 Transactions, Arrangements , Agreements and Expense by KMP and their CFMs

	2021 Rs.	2020 Rs.
Commercial Papers		
Commercial Paper issued during the year	-	2,884,220,916
Commercial Paper matured during the year	-	(2,719,955,871)
Expenses		
Interest Expense	-	251,337,488

ERNST & YOUNG
Chartered Accountants
COLOMBO

36. RELATED PARTY DISCLOSURES (Contd...)

36.3 Transactions with Group Companies

Name of the Company and Relationship	Nature of Transactions	2021 Rs.	2020 Rs.
DPMC Assetline Holdings (Pvt) Ltd	**As at March 31**		
- Parent Company	Non Trading Receivable	-	1,861
	Non Trading Payable	-	1,372,568
	Loan Payable	190,565,857	190,934,175
	Transactions for the period		
	Interest Expenses	14,684,679	21,802,110
	Dividend Payment	160,750,763	186,202,967
	Received - Reimbursement of Expenses	28,116	146,732
	Reimbursed Expenses	17,780	861,064
	Professional Charges	868,794	2,217,185
David Pieris Holdings (Private) Ltd	**As at March 31**		
- Ultimate Parent Company	Non Trading Receivable	31,578	31,578
	Non Trading Payable	11,912,000	37,935,101
	Loan Payable	1,602,070,571	439,548,093
	Transactions for the period		
	Loan Obtained	1,469,415,014	400,000,000
	Loan Repayments	400,000,000	-
	Interest Expenses	143,456,653	38,613,918
	Received - Reimbursement of Expenses	-	12,476
	Internal Audit Fees	9,093,785	11,240,819
	Rent Expenses	59,472,730	65,599,177
	Sale of Assets	-	19,102
	Purchase of Fixed Assets	5,225	68,357
	Reimbursed Expenses	135,061,451	116,542,130
	Other Expense	664,375	122,138
David Pieris Motor Company (Lanka) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	44,302	-
	Non Trading Payable	22,734	125,166
	Trading Payable	120,000	80,737,505
	Loan Payable	1,354,291,719	8,098,184,212
	Transactions for the period		
	Loan Obtained	800,000,000	550,000,000
	Loan Repayments	7,507,000,000	1,150,000,000
	Interest Expenses	518,756,512	961,773,099
	Leasing of Motor Vehicles	337,263,775	1,566,098,052
	Received - Reimbursement of Expenses	-	44,302
	Purchased of Assets	-	37,969
	RMV Charges	5,763,890	27,579,320
	Sales Commission	-	88,262
	Other Expense	421,310	251,180
David Pieris Motor Company (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	1,006,010	2,183,305
	Non Trading Payable	4,955,713	11,507,077
	Trading Payable	-	416,135,921
	Transactions for the period		
	Received - Reimbursement of Expenses	4,200,449	5,481,631
	Commission & Other Income	360,000	1,011,120
	Leasing of Motor Vehicles	948,484,278	2,165,717,428
	Reimbursed Expenses	50,253,868	65,852,384
	Purchased of Assets	394,575	330,249
	RMV Charges	17,148,700	33,176,510
	Rent Expense	804,000	1,564,020
	Other Expense	1,039,523	1,081,091

ERNST & YOUNG
Chartered Accountants
COLOMBO

36. RELATED PARTY DISCLOSURES (Contd...)

36.3 Transactions with Group Companies

Name of the Company and Relationship	Nature of Transactions	2021 Rs.	2020 Rs.
Assetline Insurance Brokers Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	137,652
	Loan Payable	444,888,917	363,906,670
	Transactions for the period		
	Loan Obtained	108,613,683	135,000,000
	Loan Repayments	139,000,000	25,000,000
	Interest Expenses	32,497,108	38,375,817
	Received - Reimbursement of Expenses	1,241,885	1,991,960
DP Logistics (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	927,946	585,822
	Non Trading Payable	-	2,224,511
	Loan Payable	70,225,713	70,361,430
	Transactions for the period		
	Loan Obtained	-	70,000,000
	Loan Repayments	-	40,000,000
	Interest Expenses	5,760,124	7,210,625
	Building Rent Income	4,513,380	5,064,578
	Received - Reimbursement of Expenses	74,896	58,645
	Sale of Assets	-	12,075
	Outsource Service	17,884	14,401,125
	Other Expense	10,622,417	23,519
Assetline Corporate Services (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	89,750
	Non Trading Payable	1,079	861,620
	Transactions for the period		
	Received - Reimbursement of Expenses	78,462	629,099
	Secretarial Fees	5,484,897	5,653,664
	Reimbursed Expenses	13,751	41,134
	Sale of Assets	-	15,958
Assetline Securities (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	2,401	2,872
	Loan Payable	77,242,107	77,391,409
	Transactions for the period		
	Loan Obtained	-	77,000,000
	Loan Repayments	-	30,000,000
	Interest Expenses	6,211,123	6,126,065
	Sale of Assets	26,720	4,408
	Received - Reimbursement of Expenses	805,750	213,671
	Reimbursed Expenses	829,049	3,130
	Margin Trading -Purchased of share	-	103,648,501
	Margin Trading -Sell of shares	-	112,359,163
	Dividend Payment	-	2
	Other Expense	-	-
DP Infotech (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	1,233,749	1,794,557
	Non Trading Payable	5,608,653	5,373,214
	Transactions for the period		
	Building Rent Income	4,587,588	6,260,974
	Received - Reimbursement of Expenses	-	17,568
	Repair and Computer System Maintenance	57,086,289	61,635,068
	Employee secondment charges	2,963,491	2,151,698

ERNST & YOUNG
Chartered Accountants
COLOMBO

36. RELATED PARTY DISCLOSURES (Contd..)

36.3 Transactions with Group Companies (Contd…)

		2021 Rs.	2020 Rs.
DP Automobiles (Private) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	70,347	70,347
	Non Trading Payable	49,263	418,000
	Trading Receivable	81,374,000	118,976,400
	Trading Payable	126,209,683	16,141,500
	Transactions for the period		
	Received - Reimbursement of Expenses	-	35,413
	Leasing of Motor Vehicles	1,257,441,083	171,462,150
	Commission & Other Expenses	7,981,400	1,900,637
	Rent Expenses	2,508,000	2,775,520
	Sale of Vehicle	382,426,930	338,214,160
	Other Expense	49,263	6,563
DP Global Ventures (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	12,951
	Transactions for the period		
	Received - Reimbursement of Expenses	92,923	8,360
David Pieris Racing & Leisure (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	6,620
	Non Trading Payable	-	872,350
	Transactions for the period		
	Loan Obtained	500,000,000	-
	Loan Repayments	500,000,000	-
	Interest Expense	19,268,959	-
	Received - Reimbursement of Expenses	-	6,620
	Sponsorship	-	235,000
	Karting Circuit Membership Fee	-	4,413,978
Assetline Capital (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	15,018
	Non Trading Payable	26,945	57,969
	Loan Payable	195,878,726	130,663,830
	Transactions for the period		
	Loan Obtained	60,000,000	130,000,000
	Loan Repayments	-	100,000,000
	Interest Expense	16,014,315	13,511,093
	Received - Reimbursement of Expenses	61,814	264,320
	Dividend Payment	-	2
	Income Fund	-	1,143,303
	Purchased of Asset	-	56,989
	Courier Charges	351,073	301,773
	Reimbursed Expenses	179,760	191,019

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

37.1 Determination of Fair Value and Fair Value Hierarchy

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

Level 1 :	Quoted (unadjusted) prices in active markets for identical assets or liabilities in active market
Level 2 :	Valuation technique using observable inputs : quoted prices for similar assets and liabilities in active markets are valued using models where all significant inputs are observable.
Level 3:	Valuation technique with significant unobservable inputs : assets valued using valuation techniques where one or more significant inputs are unobservable.

The following table shows an analysis of assets recorded/disclosed at fair value by level of the fair value hierarchy.

As at 31st March

Assets		**2021**			**2020**	
		Rs.			**Rs.**	
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets FVOCI	121,010,284	-	-	139,197,909	-	-
Investment Property *	-	-	301,400,000	-	-	287,286,388
Total Assets	121,010,284	-	301,400,000	139,197,909	-	287,286,388

Level 3- Investment property Valuation

* The Company has obtained valuation for the current year which has been performed by Mr. U.S. Silva Chartered Valuation Surveyor as at 31 March 2021.

Date of valuation	31.03.2021
Valuation technique	Cost Method and Direct Comparison Method
Significant unobservable inputs	- Estimated Price per sq.ft - Estimated Price per perch

37.2 Fair Value of Financial Assets & Liabilities Not Carried at Fair Value

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

Assets for which Fair Value Approximates Carrying Value

Financial Assets and Liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values.

Fixed Rate Financial Instruments

The fair Value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

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

ERNST & YOUNG
Chartered Accountants
COLOMBO

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

	2021 Rs.				2020 Rs.			
FINANCIAL ASSETS	**Level 1**	**Fair Value Level 2**	**Level 3**	**Carrying Amount**	**Level 1**	**Fair Value Level 2**	**Level 3**	**Carrying Amount**
Financial Assets at amortised cost - Loans and Advances	-	2,706,359,854	-	2,160,386,527	-	2,570,008,891	-	2,256,781,975
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire		30,123,922,138	-	25,854,510,966		32,272,586,497	-	30,146,035,559
	-	32,830,281,992	-	28,014,897,493	-	34,842,595,388	-	32,402,817,534
FINANCIAL LIABILITIES								
Debt Instruments Issued and Other borrowed funds	-	14,046,646,658	-	14,046,646,658	-	20,382,343,176	-	19,904,826,651
	-	14,046,646,658	-	14,046,646,658	-	20,382,343,176	-	19,904,826,651

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value because, they are short-term in nature or re-price to current rated frequently:

FINANCIAL ASSETS

Cash and Cash Equivalents
Deposits with Licensed Commercial Banks
Financial Assets - Fair Value through Other Comprehensive Income
Other Financial Assets

FINANCIAL LIABILITIES

Bank Overdraft
Other Financial Liabilities

38. MATURITY ANALYSIS

An analysis of assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 31 March 2021	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS						
Cash and Bank Balances	391,825,181	-	-	-	-	391,825,181
Deposits with Licensed Commercial Banks	1,122,162,922	130,037,397	-	-	-	1,252,200,319
Financial Assets at amortised cost - Loans and Advances	1,285,467,115	510,010,551	314,455,552	49,072,429	1,380,882	2,160,386,526
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,829,780,811	6,609,850,974	10,905,564,486	3,452,728,477	56,586,218	25,854,510,966
Financial Assets - Fair Value through Other Comprehensive Income	41,637,800	51,988,250	27,384,234	-	194,700	121,204,984
Other Financial Assets	169,404,834	524,850	-	-	-	169,929,684
Other Non Financial Assets	36,302,050	3,558,878	-	-	-	39,860,928
Investment Properties	-	-	-	-	301,400,000	301,400,000
Property, Plant & Equipment	-	-	-	-	65,772,729	65,772,729
Intangible Assets	-	-	-	-	22,859,329	22,859,329
Right of Use Assets	11,530,022	31,481,554	42,002,603	3,579,554	-	88,593,733
TOTAL ASSETS	7,888,110,735	7,337,452,454	11,289,406,875	3,505,380,460	448,193,858	30,468,544,380
LIABILITIES						
Bank Overdraft	481,947,134	-	-	-	-	481,947,134
Debt Instruments Issued and Other Borrowed Funds	9,741,202,691	2,106,863,458	1,798,580,509	400,000,000	-	14,046,646,658
Other Financial Liabilities	974,679,877	24,994,163	47,469,331	20,823,853	6,115,518	1,074,082,742
Other Non Financial Liabilities	72,736,511	-	-	-	-	72,736,511
Income Taxation Payable	-	257,126,837	-	-	-	257,126,837
Deferred Tax Liability	-	-	-	-	190,904,033	190,904,033
Retirement Benefit Obligations	-	11,627,334	-	41,878,205	37,014,834	90,520,374
TOTAL LIABILITIES	11,270,566,213	2,400,611,792	1,846,049,840	462,702,057	234,034,385	16,213,964,289

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS						
Cash and Bank Balances	107,235,801	-	-	-	-	107,235,801
Deposits with Licensed Commercial Banks	2,234,456,144	-	-	-	-	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	1,119,802,961	651,938,081	425,873,785	59,122,151	44,997	2,256,781,975
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	5,343,978,987	8,388,443,608	13,742,573,489	2,614,455,993	56,583,482	30,146,035,559
Financial Assets - Fair Value through Other Comprehensive Income	1,251,351	21,819,730	116,126,828	-	194,700	139,392,609
Other Financial Assets	219,138,662	-	524,850	-	-	219,663,512
Other Non Financial Assets	56,863,808	3,122,184	-	-	-	59,985,992
Investment Properties	-	-	-	-	287,286,388	287,286,388
Property, Plant & Equipment	-	-	-	-	96,473,120	96,473,120
Intangible Assets	-	-	-	-	29,937,256	29,937,256
Right of Use Assets	11,334,786	31,856,770	67,404,200	2,861,506	-	113,457,262
TOTAL ASSETS	9,094,062,500	9,097,180,373	14,352,503,152	2,676,439,650	470,519,943	35,690,705,618
LIABILITIES						
Bank Overdraft	123,919,985	-	-	-	-	123,919,985
Debt Instruments Issued and Other Borrowed Funds	5,815,922,189	10,481,892,840	1,760,149,472	1,846,862,150	-	19,904,826,651
Other Financial Liabilities	1,610,394,704	22,820,254	57,001,363	20,940,872	10,670,714	1,721,827,907
Other Non Financial Liabilities	49,860,931	-	-	-	-	49,860,931
Income Tax Payable	-	194,298,493	-	-	-	194,298,493
Deferred Tax Liability	-	-	-	-	357,252,116	357,252,116
Retirement Benefit Obligations	-	-	-	-	82,560,039	82,560,039
TOTAL LIABILITIES	7,600,097,809	10,699,011,587	1,817,150,835	1,867,803,022	450,482,869	22,434,546,122

ERNST & YOUNG
Chartered Accountants
COLOMBO

39. RISK MANAGEMENT

39.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

39.1.1 Risk Management Structure

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee (IRM), which is a sub-committee of the board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the company is willing to accept is decided at the Board Risk Committee level, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The committee fulfills the requirement set out in the Finance Leasing Direction No. 4 of 2009 on Corporate Governance for Finance Leasing Establishments issued by Central Bank of Sri Lanka (CBSL) under Finance Leasing Act, No. 56 of 2000.

This Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of 1 Directors, Chief Executive Officer and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the IRM Committee, Risk Management function is managed by Risk Management Unit (RMU). RMU is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMU is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on once in a two month, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

39.1.2 Risk measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.

39. RISK MANAGEMENT (Contd…)

39.2 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

39.2.1 Impairment Assessment

The Company recognises loss allowance using expected Credit losses (ECL) on loans and receivables and other financial instrument measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

The ECL impairment is based on the credit losses expected to arise over the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Definition of Default and Cured

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 or the borrower becomes 150 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation or
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased

The Company's policy to re-classifies financial instruments out of the stage 3 when non of the default criteria have been presented and the borrower is no longer considered as none performing in accordance with the directives of the Central Bank. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure.

Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECLs. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for equal or more than 30 days.

39. RISK MANAGEMENT (Contd…)

39.2 Credit Risk

Calculation of ECL

ECL is a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL is discounted at the effective interest rate of the financial asset.

Individually assessed allowances

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

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

ERNST & YOUNG
Chartered Accountants
COLOMBO

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed allowances

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) and futuristic economic data (such as economic conditions, unemployment levels and local or industry–specific problems).

The Company applies three-stage approach to measuring expected credit losses (ECL) on Loans and receivables and other financial assets measred at amortised cost. Assets migrate through the three stages based on the change in credit quality since initial recognition.

39.2.1.1 Assessment of provision for impairment

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

As at 31 March 2021	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Deposits with Licensed Commercial Banks	16.1	330,229	-	-	330,229
Financial assets at amortised cost - Loans and Advances	17.1	21,141,868	70,152,116	335,028,419	426,322,403
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	18.1	170,270,951	321,667,966	1,104,781,563	1,596,720,481
Other Charges Receivable from Client	20.2.1	1,040,180	1,445,436	2,486,112	4,971,728
Total provision for impairment		192,783,228	393,265,518	1,442,296,094	2,028,344,841

As at 31 March 2020	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Deposits with Licensed Commercial Banks	16.1	2,761,363	-	-	2,761,363
Financial assets at amortised cost - Loans and Advances	17.1	44,576,702	42,543,043	125,940,547	213,060,292
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	18.1	267,914,665	231,764,845	272,571,365	772,250,875
Other Charges Receivable from Client	20.2.1	1,619,000	214,127	122,164	1,955,291
Total provision for impairment		316,871,730	274,522,015	398,634,076	990,027,821

39. RISK MANAGEMENT (Contd…)

39.2.1.1 Assessment of provision for impairment (Contd…)

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

	2021 Rs.	2020 Rs.
Balance as at 1st April	990,027,821	741,019,558
Net charge to profit or loss	1,038,317,019	249,008,263
Balance as at 31st March	2,028,344,839	990,027,821

39.2.1.2 Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses

The Company has estimated the impairment provision on loans and advances to other customers as at March 31, 2021, subject to various assumptions. The changes to such assumptions may lead to changes in inputs used for the computation of the impairment provision.

The following table demonstrates the sensitivity of the impairment provision of the Company as at March 31, 2021 to a reasonably possible change in PDs, LGDs and forward looking information.

Sensitivity on ECL	**Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]**				**Sensitivity effect on Income Statement**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	
PD 1% increase across all age buckets	34,111,530	13,457,185	-	47,568,715	(47,568,715)
PD 1% decrease across all age buckets *	(33,780,250)	(13,448,037)	-	(47,228,287)	47,228,287
LGD 5% increase	33,881,806	68,944,510	134,145,367	236,971,683	(236,971,683)
LGD 5% decrease *	(33,881,806)	(68,944,510)	(134,145,367)	(236,971,683)	236,971,683

* The PD/LGD decrease is capped to 0%, if applicable.

39.2.2 Analysis of Maximum Exposure to Credit Risk

The following table shows the maximum exposure to credit risk by class of financial assets and fair value of collateral held by the Company.

	2021		**2020**	
	Maximum Exposure to credit Risk Rs.	**Net Exposure Rs.**	**Maximum Exposure to credit Risk Rs.**	**Net Exposure Rs.**
Cash and Bank Balance	391,825,181	15,476,828	107,235,801	89,962,348
Deposits with Licensed Commercial Banks	1,252,200,319	1,252,200,319	2,234,456,144	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	2,160,386,527	-	2,256,781,975	-
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	25,854,510,966	-	30,146,035,559	-
Financial Assets - Fair Value through Other Comprehensive Income	121,204,984	121,204,984	139,392,609	139,392,609
Other Financial Assets	169,929,685	103,860,381	219,663,512	147,331,131
	29,950,057,662	1,492,742,512	35,103,565,600	2,611,142,232

39. RISK MANAGEMENT (Contd…)

39.2.3 Credit Quality by class of Financial Assets

As at 31 March 2021	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	
Assets				
Cash and Bank Balances	391,825,181	-	-	391,825,181
Deposits with Licensed Commercial Banks	1,252,200,319	-	-	1,252,200,319
Financial Assets at amortised cost - Loans and Advances	1,816,244,621	770,464,310	-	2,586,708,931
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	11,549,171,556	15,902,059,892	-	27,451,231,448
Financial Assets - Fair Value through Other Comprehensive Income	121,204,984	-	-	121,204,984
Other Financial Assets	111,894,610	63,006,802	-	174,901,412
Total	15,242,541,271	16,735,531,004	-	31,978,072,275

* Collectively assessed for impairment

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

	Past due but not impaired				
As at March 2021	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets at amortised cost - Loans and Advances	235,668,905	97,576,483	94,385,976	342,832,946	770,464,310
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	5,210,984,641	3,628,150,329	2,556,974,641	4,505,950,281	15,902,059,892
Other Financial Assets	10,294,123	8,287,819	6,435,785	37,989,075	63,006,802
	5,456,947,669	3,734,014,631	2,657,796,402	4,886,772,302	16,735,531,004

As at 31 March 2020	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Bank Balances	107,235,801	-	-	107,235,801
Deposits with Licensed Commercial Banks	2,234,456,144	-	-	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	1,996,103,822	473,738,445	-	2,469,842,267
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	15,189,710,772	15,695,688,477	32,887,185	30,918,286,434
Financial Assets - Fair Value through Other Comprehensive Income	139,392,609	-	-	139,392,609
Other Financial Assets	162,090,467	59,436,275	92,061	221,618,803
Total	19,828,989,615	16,228,863,197	32,979,246	36,090,832,058

* Collectively assessed for impairment

39. RISK MANAGEMENT (Contd...)

39.2.3 Credit Quality by Class of Financial Assets (contd.)

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

As at March 2020	Past Due but Not Impaired				
	Less than 30 Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 90 Rs.	Total Rs.
Financial Assets at amortised cost - Loans and Advances	119,464,992	81,358,019	49,988,787	222,926,647	473,738,445
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	6,793,015,143	4,859,851,583	2,532,340,552	1,510,481,199	15,695,688,477
Other Financial Assets	11,599,103	10,298,207	8,722,705	28,816,260	59,436,275
	6,924,079,238	4,951,507,808	2,591,052,044	1,762,224,105	16,228,863,199

39.2.4 Analysis of Risk Concentration

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

As at March 2021	Cash and Bank Balances	Deposits with Licensed Commercial Banks	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Financial Assets - FVOCI	Other Financial Assets
Agriculture	-	-	53,375,484	5,161,027,197	-	10,195,364
Construction	-	-	59,452,637	1,243,908,188	-	3,148,900
Conversion Category - Undefined	-	-	-	1,155,441	-	-
Industry & Manufacture	-	-	79,911,349	450,141,577	-	1,347,585
Services	-	-	728,706,528	13,230,192,071	-	37,549,939
Tourism	-	-	29,878,023	224,199,120	-	895,437
Trading	-		1,556,187,814	1,956,701,045	-	7,469,917
Transport	-	-	79,197,095	5,183,072,229	-	10,380,091
Bank & Finance	391,825,181	1,252,530,548	-	-	-	-
Government	-	-	-	-	121,204,984	-
Others	-	-	-	834,577	-	103,914,180
Less: allowance for impairment	-	(330,229)	(426,322,403)	(1,596,720,481)	-	(4,971,728)
Total	391,825,181	1,252,200,319	2,160,386,527	25,854,510,965	121,204,984	169,929,685

39. RISK MANAGEMENT (Contd...)

39.2.3 Credit Quality by Class of Financial Assets (contd...)

As at March 2020	Cash and Bank Balances	Deposits with Licensed Commercial Banks	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	Financial Assets - Fair Value through Other Comprehensive Income	Other Financial Assets
Agriculture	-	-	24,177,123	5,473,655,743	-	13,762,884
Construction	-	-	45,314,323	1,226,847,857	-	3,268,904
Conversion Category - Undefined	-	-	-	1,646,068	-	-
Industry & Manufacture	-	-	93,464,951	394,411,139	-	795,957
Services	-	-	584,289,688	17,127,709,447	-	39,987,281
Tourism	-	-	49,657,046	244,170,869	-	754,763
Trading	-		1,642,966,667	1,994,440,994	-	5,294,613
Transport	-	-	29,431,161	4,453,943,947	-	10,382,738
Bank & Finance	107,235,801	2,237,217,507	-	-	-	-
Government	-	-	-	-	139,392,609	-
Others	-	-	541,308	1,460,370	-	147,371,663
Less: allowance for impairment	-	(2,761,363)	(213,060,292)	(772,250,875)	-	(1,955,291)
Total	107,235,801	2,234,456,144	2,256,781,973	30,146,035,560	139,392,609	219,663,512

39.3 Interest Rate Risk

Interest rate risk refers to the variability in value borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rated bond or Loan Portfolio will fall, and vice versa. Asset liability management is a common name for the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline leasing though is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

• Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

• Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

• Setting the Lending to Borrowing ratio in order to maintain gearing at the desired levels

ERNST & YOUNG
Chartered Accountants
COLOMBO

39. RISK MANAGEMENT (contd...)

39.3.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity.

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of profit and loss(Before Tax)	Sensitivity of equity
	%	Rs. Mn	Rs. Mn
Long Term Loans linked to AWPLR - 2021	+1/ (-1)	(12)/ 12	(12)/ 12
Long Term Loans linked to AWPLR - 2020	+1/ (-1)	(16)/ 16	(16)/ 16

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 74.63% of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or loss and to Equity.

39.3.2 Interest rate Risk

Interest rate risk exposure on non trading Financial Assets and Liabilities

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

As at 31 March 2021	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	5,764,683	-	-	-	-	386,060,498	391,825,181
Deposits with Licensed Commercial Banks	1,122,162,922	130,037,397	-	-	-	-	1,252,200,319
Financial Assets at amortised cost - Loans and Advances	1,285,467,115	510,010,551	314,455,552	49,072,429	1,380,882	-	2,160,386,527
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,829,780,811	6,609,850,974	10,905,564,486	3,452,728,477	56,586,218	-	25,854,510,966
Financial Assets - Fair Value through Other Comprehensive Income	41,637,800	51,988,250	27,384,234	-	-	194,700	121,204,984
Other Financial Assets	66,069,303	-	-	-	-	103,860,381	169,929,685
Total Liabilities	7,350,882,633	7,301,887,172	11,247,404,271	3,501,800,906	57,967,100	490,115,581	29,950,057,663

ERNST & YOUNG
Chartered Accountants
COLOMBO

39. RISK MANAGEMENT (contd...)

39.3.2 Interest rate Risk (Contd…)

As at 31 March 2021	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities							
Bank Overdraft	481,947,134	-	-	-	-	-	481,947,134
Debt Instruments Issued and Other Borrowed Funds	11,474,201,619	1,173,864,505	998,580,535	400,000,000	-	-	14,046,646,658
Other Financial Liabilities	8,491,194	24,994,163	47,469,331	20,823,853	6,115,518	966,188,683	1,074,082,742
Total Liabilities	11,964,639,946	1,198,858,668	1,046,049,866	420,823,853	6,115,518	966,188,683	15,602,676,534
Total Interest Sensitivity Gap	(4,613,757,314)	6,103,028,504	10,201,354,406	3,080,977,052	51,851,582	(476,073,102)	14,347,381,129

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	38,695,755	-	-	-	-	68,540,046	107,235,801
Deposits with Licensed Commercial Banks	2,234,456,144	-	-	-	-	-	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	1,119,802,961	651,938,081	425,873,785	59,122,151	44,997	-	2,256,781,975
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	5,343,978,987	8,388,443,608	13,742,573,489	2,614,455,993	56,583,482	-	30,146,035,559
Financial Assets - Fair Value through Other Comprehensive Income	1,251,351	21,819,730	116,126,828	-	-	194,700	139,392,609
Other Financial Assets	72,332,381	-	-	-	-	147,331,131	219,663,512
Total Liabilities	8,810,517,579	9,062,201,419	14,284,574,102	2,673,578,144	56,628,479	216,065,877	35,103,565,600
Liabilities							
Bank Overdraft	123,919,985	-	-	-	-	-	123,919,985
Debt Instruments Issued and Other Borrowed Funds	16,655,524,915	1,259,204,840	443,015,910	1,547,080,986	-	-	19,904,826,651
Other Financial Liabilities	6,098,699	22,820,253	56,726,363	20,634,872	10,670,714	1,604,877,006	1,721,827,907
Total Liabilities	16,785,543,598	1,282,025,093	499,742,273	1,567,715,858	10,670,714	1,604,877,006	21,750,574,543
Total Interest Sensitivity Gap	(7,975,026,019)	7,780,176,326	13,784,831,829	1,105,862,286	45,957,765	(1,388,811,128)	13,352,991,057

ERNST & YOUNG Chartered Accountants COLOMBO

39. RISK MANAGEMENT (contd...)

39.4 Liquidity Risk

Liquidity risk refers to the availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

39.4.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Leasing (Liquid Assets) Direction No. 04 of 2012, Company has to maintain minimum liquid assets, not less than 10% of Total Liabilities and Off Balance Sheet items excluding liabilities to Shareholders, securitizations & Asset backed Long Term Borrowings.

As at 31st March 2020, the Company maintained Statutory Liquid Asset ratio at 10.04%. (As at 2020- 11.36%)

39.4.2 Contractual maturities of Undiscounted Cash flows of Financial Assets & Liabilities

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

As at 31 March 2021	**Up to 03 Months**	**03-12 Months**	**01-03 Years**	**03-05 Years**	**Over 05 Years**	**Non Interest Bearing**	**Total**
Assets							
Cash and Bank Balances	5,764,683	-	-	-	-	386,060,498	391,825,181
Deposits with Licensed Commercial Banks	1,141,544,771	136,825,000	-	-	-	-	1,278,369,771
Financial Assets at amortised cost - Loans and Advances	1,349,754,496	611,578,300	388,571,325	56,217,012	1,410,662	-	2,407,531,793
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	6,393,144,088	10,333,719,250	15,266,623,287	4,168,116,938	60,168,027	-	36,221,771,590
Financial Assets - Fair Value through Other Comprehensive Income	40,000,000	50,000,000	25,000,000	-	-	194,700	115,194,700
Other Financial Assets	66,069,303	-	-	-	-	103,860,381	169,929,685
Total Financial Assets	8,996,277,341	11,132,122,550	15,680,194,611	4,224,333,949	61,578,689	490,115,581	40,584,622,721
Liabilities							
Bank Overdraft	481,947,134	-	-	-	-	-	481,947,134
Debt Instruments Issued and Other Borrowed	11,639,237,508	1,343,265,520	1,138,354,611	438,308,219	-	-	14,559,165,859
Other Financial Liabilities	11,544,081	32,573,063	58,144,698	24,313,883	6,609,313	966,188,683	1,099,373,720
Total Financial Liabilities	12,132,728,723	1,375,838,583	1,196,499,309	462,622,102	6,609,313	966,188,683	16,140,486,713

ERNST & YOUNG
Chartered Accountants
COLOMBO

39. RISK MANAGEMENT (contd...)

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
Assets							
Cash and Bank Balances	38,695,755	-	-	-	-	68,540,046	107,235,801
Deposits with Licensed Commercial Banks	2,286,656,603	-	-	-	-	-	2,286,656,603
Financial Assets at amortised cost - Loans and Advances	1,212,717,284	783,915,103	523,476,389	67,824,313	46,010	-	2,587,979,099
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	7,232,058,019	12,796,646,359	18,420,684,479	3,081,251,755	61,580,880	-	41,592,221,492
Financial Assets - Fair Value through Other Comprehensive Income	1,251,351	22,279,222	118,410,367	-	-	194,700	142,135,640
Other Financial Assets	72,332,381	-	-	-	-	147,331,131	219,663,512
Total Financial Assets	10,843,711,393	13,602,840,684	19,062,571,235	3,149,076,068	61,626,890	216,065,877	46,935,892,147
Liabilities							
Bank Overdraft	123,919,985	-	-	-	-	-	123,919,985
Debt Instruments Issued and Other Borrowed Funds	17,857,234,007	1,355,281,839	704,576,184	2,771,401,191	-	-	22,688,493,221
Other Financial Liabilities	12,206,826	39,809,447	71,922,868	25,594,236	12,299,244	1,604,877,005	1,766,709,626
Total Financial Liabilities	17,993,360,818	1,395,091,286	776,499,052	2,796,995,427	12,299,244	1,604,877,005	24,579,122,832

39.5 Operational Risk

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

ERNST & YOUNG
Chartered Accountants
COLOMBO

40. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rule and ratios adopted by Central Bank of Sri Lanka. The Company needs to maintain minimum tier 1 core capital ratio of 6.5% and total capital adequacy ratio of 10.5% as at March 31,2021. The Company has always maintained capital adequacy ratio above the minimum regulatory requirement. The Company has recoreded 32.47% (26.28%-2020) of tier 1 and 33.42% (27.26%-2020) of total capital adequacy ratio as at March 31, 2021

Capital Management

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

41. COMMITMENT AND CONTINGENT LIABILITIES

41.1 There were no material contingent liabilities outstanding as at the reporting date.

41.2 Commitment

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

Un - Utilised Facilities	**2021** **Rs.**	**2020** **Rs.**
Margin trading	66,560,536	79,862,894
Trade Finance	12,265,615	3,172,750
Total Commitment	78,826,151	83,035,644

42. EVENTS OCCURRED AFTER THE REPORTING DATE

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

The Board of Directors have proposed a dividend of Rs 37.33 per share to be distributed from retained earnings amounting to a total sum of Sri Lankan Rupees five billion six hundred eighty eight thousand three hundred and eighty seven and cents forty three (Rs.5,000,688,387.43).

43. COMPARATIVE INFORMATION

The following comparative figures have been reclassified in the 2020 Statement of Financial Position to maintain comparability of financial statements in order to provide a better presentation.

Liabilities	**Note**	**As disclosed in 2020**	**Adjustment**	**Reclassified**
Other Financial Liabilities	27			
Lease Liability		1,604,877,005	116,950,902	1,721,827,907
Other Non Financial Liabilities	28			
Lease Liability		166,811,833	(116,950,902)	49,860,931

Reclassification of Lease Liability from Other Non Financial Liability to Other Financial Liability.

ERNST & YOUNG
Chartered Accountants
COLOMBO