ASSETLINE LEASING COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2019

Building a better working world

Ernst & Young
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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 2019, 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 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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/)

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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

11 July 2019
Colombo

Assetline Leasing Company Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Note	2019 Rs.	2018 Rs.
Interest Income	4.1	8,769,234,586	8,271,773,426
Interest Expense	4.2	(3,123,177,712)	(2,436,367,530)
Net Interest Income		5,646,056,874	5,835,405,896
Fee & Service Charge Income	5	215,368,648	225,753,819
Other Operating Income	6	39,264,307	50,427,065
Changes in Fair Value of Investment Properties	21.1	(9,482,910)	(165,843,267)
Total Operating Income		5,891,206,919	5,945,743,513
Impairment Charges & Net Write Off	7	(761,582,217)	(588,559,862)
Net Operating Income		5,129,624,702	5,357,183,651
Operating Expenses			
Personnel Costs	8	(743,246,757)	(629,881,496)
Other Operating Expenses	9	(1,211,891,281)	(1,034,610,363)
Operating Profit before VAT & NBT on Financial Services		3,174,486,664	3,692,691,792
VAT & NBT on Financial Services	10	(575,539,031)	(618,582,050)
Profit before Income Tax		2,598,947,633	3,074,109,742
Income Tax Expense	11	(965,078,354)	(1,143,625,659)
Profit for the Period		1,633,869,279	1,930,484,083
Earnings Per Share (Rs)	12	12.20	14.41

The Accounting Policies & Notes from pages 08 to 77 form an integral part of these Financial Statements.

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Assetline Leasing Company Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	2019 Rs.	2018 Rs.
Profit for the Year		1,633,869,279	1,930,484,083
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 - Available for Sale	33	-	13,131,199
Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	33	(4,974,874)	-
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		(4,974,874)	13,131,199
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Actuarial Gains/(Losses) on Retirement Benefit Obligation	29.4	3,464,011	(12,141,194)
Deferred Tax on Actuarial Gain/(Loss)	24	(969,923)	3,399,534
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		2,494,088	(8,741,660)
Other Comprehensive Income for the Year, net of Tax		(2,480,786)	4,389,539
Total Comprehensive Income for the Year, net of Tax		1,631,388,493	1,934,873,622

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Assetline Leasing Company Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 Rs.	2018 Rs.
Assets			
Cash and Cash Equivalents	14	360,674,538	319,211,224
Deposits with Licensed Commercial Banks	15	2,718,493,173	2,870,148,270
Financial Assets at amortised cost - Loans and Advances	16	2,612,784,135	1,828,012,513
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	17	32,727,180,606	32,781,432,883
Financial Assets - Fair Value through Other Comprehensive Income	18	233,184,922	-
Financial Assets- Available for Sale	18	-	242,750,448
Other Financial Assets	19	78,978,234	120,174,042
Other Non Financial Assets	20	91,930,787	59,989,012
Investment Properties	21	287,000,000	325,400,000
Property, Plant & Equipment	22	125,778,272	134,307,326
Intangible Assets	23	46,828,103	66,378,073
Total Assets		39,282,832,770	38,747,803,791
Liabilities			
Bank Overdraft		363,828,670	911,107,393
Debt Instruments Issued & Other Borrowed Funds	25	24,216,354,239	24,007,540,553
Other Financial Liabilities	26	1,432,721,107	1,495,851,080
Other Non Financial Liabilities	27	132,893,173	94,819,663
Income Tax Payable	28	574,021,934	467,049,110
Deferred Tax Liability	24	654,424,647	1,117,242,682
Retirement Benefit Obligations	29	67,459,943	52,454,163
Total liabilities		27,441,703,713	28,146,064,644
Shareholders' Funds			
Stated Capital	30	3,550,000,000	3,550,000,000
Statutory Reserve Fund	31	822,796,177	741,102,713
Fair Value through Other Comprehensive Income Reserve	33	1,683,172	-
Available for Sale Reserve	33	-	6,658,046
Retained Earnings	32	7,466,649,708	6,303,978,388
Total Shareholders' Funds		11,841,129,057	10,601,739,147
Total Liabilities and Shareholders' Funds		39,282,832,770	38,747,803,791

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

....

Divisional Manager - Finance and Accounting

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

.... Director

.... Director

The Accounting Policies & Notes from pages 08 to 77 form an integral part of these Financial Statements.

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STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Stated Capital Rs. Note 30	Statutory Reserve Fund Rs. Note 31	Available for Sale Reserve Rs. Note 33	FVOCI Reserve Rs. Note 33	Retained Earnings Rs. Note 32	Total Rs.
Balance as at 31 March 2017	3,550,000,000	645,444,161	(6,473,153)	-	9,598,877,732	13,787,848,740
Transfer of Reserve on Acquisition of Lisvin Investments (Pvt) Ltd	-	(865,652)	-	-	(1,545,281)	(2,410,933)
Net Profit for the Year	-	-	-	-	1,930,484,083	1,930,484,083
Other Comprehensive Income net of Tax	-	-	13,131,199	-	(8,741,660)	4,389,539
Transfer to Statutory Reserve	-	96,524,204	-	-	(96,524,204)	-
Dividend Declared	-	-	-	-	(5,118,572,282)	(5,118,572,282)
Balance as at 31 March 2018	3,550,000,000	741,102,713	6,658,046	-	6,303,978,388	10,601,739,147
Impact of Adopting SLFRS 9 – "Financial Instruments" as at 1 April 2018 (Refe Note 3)		-	(6,658,046)	6,658,046	(280,812,637)	(280,812,637)
Restated Balance Under SLFRS 9 as at 1 April 2018	3,550,000,000	741,102,713	-	6,658,046	6,023,165,751	10,320,926,510
Net Profit for the Year	-	-	-	-	1,633,869,279	1,633,869,279
Other Comprehensive Income net of Tax (Refer Note No. 33)	-	-	-	(4,974,874)	2,494,088	(2,480,786)
Transfer to Statutory Reserve Fund	-	81,693,464	-	-	(81,693,464)	-
Dividend Declared	-	-	-	-	(111,185,946)	(111,185,946)
Balance as at 31 March 2019	3,550,000,000	822,796,177	-	1,683,172	7,466,649,708	11,841,129,057

The Accounting Policies & Notes from pages 08 to 77 form an integral part of these Financial Statements.

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Assetline Leasing Company Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

Cash Flows From / (Used in) Operating Activities		**2019 Rs.**	**2018 Rs.**
Profit before Income Tax Expense	Note	2,598,947,633	3,074,109,742
Adjustments for			
Depreciation of Property Plant & Equipment	9	55,965,927	52,725,639
Amortization of Intangible Assets	9	19,480,123	13,443,577
Provision for Impairment of Goodwill	7	-	149,643,651
Notional Tax Credit on Government Securities		-	(10,869,106)
Withholding tax attributed to Deposits & Building Rent		(17,843,785)	(15,937,959)
Provision for Gratuity	8	20,938,951	16,335,270
Profit on Disposal of Property, Plant & Equipment	6	(1,670,999)	(27,550,976)
Provision/ Donation of Investment Property	21.1	32,400,000	-
Change in Fair Value of Investment Property	21.1	9,482,910	165,843,267
Impairment on Loans, Lease and Other Losses		741,305,993	438,916,211
Interest Cost	4.2	3,123,177,712	2,436,367,530
Dividend Income	6	(412,800)	(360,000)
Operating Profit before Working Capital Changes		6,581,771,665	6,292,666,846
(Increase)/Decrease in Lease Rentals Receivable & Stock Out on Hire		(818,648,477)	(1,435,577,614)
(Increase)/Decrease in Loans and Advances		(932,197,394)	(741,779,705)
(Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income		4,590,651	-
(Increase)/Decrease in Financial Asset - Available for Sale		-	(5,043,139)
(Increase)/Decrease in Other Non Financial Assets		(166,022,320)	(136,287,779)
(Increase)/Decrease in Other Financial Assets		41,195,808	(66,891,466)
Increase/(Decrease) in Other Financial Liabilities		(154,669,887)	189,211,726
Increase/(Decrease) in Other Non Financial Liabilities		22,507,478	(49,902,744)
Cash used in Operations		4,578,527,524	4,046,396,125
Gratuity Paid	29.2	(2,469,160)	(7,856,360)
Income Tax Paid		(1,169,969,157)	(565,134,208)
Dividend Tax Paid		-	(534,898,171)
Net Cash From/(Used in) Operating Activities		3,406,089,207	2,938,507,386
Cash Flows from / (Used in) Investing Activities			
Deposits with Licensed Commercial Banks (Maturity More than three Months)		(2,040,000,000)	-
Acquisition of Property, Plant & Equipment and Intangible Assets		(53,181,673)	(131,078,095)
Improvement Cost in Investment Property	21.1	(3,482,910)	(743,267)
Proceeds from Disposal of Property, Plant & Equipment		3,405,649	39,677,780
Dividend Received		412,800	360,000
Net Cash Flows from/(Used in) Investing Activities		(2,092,846,134)	(91,783,582)
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	25.1	26,183,155,116	11,350,000,000
Repayment of Bank Borrowing	25.1	(23,831,335,333)	(10,699,527,000)
Net Proceeds From Commercial Paper	25.2	912,989,502	1,000,000,000
Net Proceeds From Inter Company Borrowings	25.3	(3,158,000,000)	3,148,750,000
Dividend Paid		-	(4,606,715,053)
Interest Paid		(3,021,173,310)	(2,506,421,924)
Net Cash Flows From /(Used in) Financing Activities		(2,914,364,025)	(2,313,913,977)
Net Increase in Cash and Cash Equivalents		(1,601,120,952)	532,809,827
Cash and Cash Equivalents at the beginning of the year	14.1	2,278,252,101	1,745,442,274
Impairment for Deposits with Licensed Commercial Banks		(1,167,813)	-
Cash and Cash Equivalents at the end of the year		675,963,336	2,278,252,101

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

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The Accounting Policies & Notes from pages 08 to 77 form an integral part of these Financial Statements.

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.75, Hyde Park Corner, Colombo 02. The principal place of business 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.

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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 2019 were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 11 July 2019.

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) – (Policy applicable from 1 April 2018)	Fair Value	18	49
Financial Instrument - Available for Sale (Policy applicable before 1 April 2018)	Fair Value	18	49
Investment Property	Fair Value	21	51
Defined Benefit Obligation	Present Value	29	56-57

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, which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

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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 36 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.

The company has not restated the comparative information for 2018 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9). Therefore, the comparative information for 2018 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" (LKAS 39) and is not comparable to the information presented for 2019. Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of April 1, 2018 as disclosed in note 3

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 40 to the Financial Statements.

<u>Dividend Payable</u>

The Board of Directors recommends an interim cash dividend of Rs. 0.83 per share amount in to Rs. 111,185,945.93 on March 04, 2019. The Board was satisfied that the Company would meet the solvency test after the declaration of the aforesaid dividend and required the Company Secretary to obtain a solvency certificate from the Company's Auditors to that effect.

In compliance with Finance Companies Guideline No. 1 of 2013, the Company has obtained the approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the proposed dividend on April 29, 2019.

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 14.1 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. Therefore, the Financial Statements continue to be prepared 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 valuation of financial instruments is described in more detail in note no 13.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 35.

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 2.4.19. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

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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 24.

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 no 29.

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 no39.

2.2.7 Classification of Investment Properties

Management requires using its judgment to determine whether property qualifies as an investment property. A property that is held to earn rentals or for capital appreciation or both and which generate cash flows largely independently of the other assets held by the Company is accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties.

2.2.8 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 and LKAS 39 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates driven by a number of factors, changes in which can result in different levels of allowances.

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Policy Applicable from 1 April 2018

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 2.4.1.13 to the Financial Statements.

Policy Applicable before 1 April 2018

The Company reviews its individually significant loans and advances and Lease Rental Receivable & Stock out on Hire at each reporting date to assess whether an impairment loss should be provided for 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 allowance made.

loans and advances and Lease Rental Receivable & Stock out on Hire that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data. Impairment of Loans & advances is discussed in detail under in note 2.4.13 to the Financial Statements.

2.2.9 Impairment of Available for Sale Financial Assets (Policy Applicable before 1 April 2018)

The Company reviews its available-for-sale investments at the end of each Reporting period to assess whether they are impaired. Details of the 'Impairment of available-for-sale assets' is given in note no 2.4.1.13.13.

From 1st January 2018, with the adoption of SLFRS 9 equity instruments classified as available for sale (after 1 April 2018 classified as Fair Value Through Other Comprehensive Income) are not subjective for impairment assessment.

2.3 NEW / AMENDMENTS TO ACCOUNTING STANDARDS EFFECTIVE FROM 1ST JANUARY 2018

The Company applied SLFRS 9, SLFRS 7R and SLFRS 15 which are effective for annual periods beginning on or after 1 January 2018, for the first time with the initial application date of 1 April 2018. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3.1 SLFRS 9 – "Financial Instruments"

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

SLFRS 9 replaces LKAS 39 for annual periods on or after 1st January 2018. SLFRS 9 requires an entity to restate prior periods if and only if the restatement is possible without the use of hindsight. The Company has not restated comparative information as of and for the year ended 31 March 2018 for financial instruments within the scope of SLFRS 9.

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Therefore, the comparative information for 2018 is reported under LKAS 39 and is not comparable to the information presented for 2019. Differences arising from the adoption of SLFRS 9 have been recognized *directly in retained earnings as of 1st April 2018 and are disclosed in note 3. (transition Note)*

2.3.1.1 Changes to Classification and Measurement of Financial Assets and Financial Liabilities

SLFRS 9 contains three principal classification categories for financial assets – i.e. measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing LKAS 39 categories of held-to-maturity, loans and receivables, fair value through profit and loss (FVPL) and available-for-sale. The SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Under SLFRS 9 derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

2.3.1.2 Changes to the impairment Calculation

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

Details of the Company's impairment method are disclosed in note 2.4.1.13. The quantitative impact of applying expected credit loss approach in SLFRS 9 as at 1st April 2018 is disclosed in note 3.

2.3.2 SLFRS 7- "Financial Instrument Disclosure"

The Company has adopted SLFRS 7, together with SLFRS 9, for the year beginning 1 April 2018. Changes including transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in note 3.

2.3.3 SLFRS 15- "Revenue from Contracts with Customers"

The core principle of SLFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanged for those goods or services. This core principle is delivered in five steps model disclosed below.

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

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment. The Company did not have any material impact on its fee and commission income with the adoption of SLFRS 15 for the year beginning 1 April 2018.

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

2.4 GENERAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements except for the changes mentioned in Note 2.3 to the Financial Statements.

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

2.4.1.1 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.

2.4.1.2 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. Refer Notes 2.3 and 2.4 for further details on classification of financial 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

2.4.1.3 Classification and Subsequent Measurement of Financial Assets

<u>Policy Applicable from 1 April 2018</u>

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 no 2.4.1.3.1
- Fair value through other comprehensive income, as explained in note(FVOCI) no 2.4.1.3.3 and 2.4.1.3.4)
- Fair value through profit or loss, (FVTPL)

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

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

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

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

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

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

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

The details of these conditions are outlined below.

(a) Business model assessment

The Company 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.

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(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.

2.4.1.3.2 Financial assets or financial liabilities held for trading

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

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

Policy Applicable before 1 April 2018

Financial assets at fair value through profit and loss and available for sale financial investments are subsequently measured at fair value. Changes in fair value of financial assets at fair value through profit and loss are recognized in Operating Income. Unrealised gains and losses from available for sale financial investments are recognised directly in equity through 'other comprehensive income/expense' in the 'available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'operating income'. Interest earned whilst holding 'available for sale financial investments' is reported as 'interest income' using the effective interest rate (EIR) and the Dividend earned recognized in as other operating income when the right to receive the payment has been established.

Financial assets classified as Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. After the initial recognition, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate (EIR), less impairment if any.

Financial assets classified under loans and advances are or subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest income' in the statement of comprehensive income.

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

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

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

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

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

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

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

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

2.4.1.3.5 Debt issued and other borrowed funds

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

2.4.1.4 Classification and Subsequent Measurement of Financial Liabilities

Policy Applicable from 1 April 2018

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.

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<u>Policy Applicable before 1 April 2018</u>

At the inception, the Company determines the classification of its financial liabilities. Accordingly, all financial liabilities are classified as financial liabilities measured at amortised cost.

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Debt Instrument Issued & Other Borrowed Funds' and other financial liabilities as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the statement of comprehensive income. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

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

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

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

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

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

the payment has been established. The losses arising from impairment of such investments are recognized in the Income Statement under 'Impairment charge for loans and other losses' and removed from the 'Available for sale reserve'.

Details of 'Financial assets- available for sale' are given in note 18. to the Financial statements.

2.4.1.7 Reclassification of Financial Instruments

<u>**Policy Applicable from 1 April 2018**</u>

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.

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 remeasured 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

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Policy Applicable before 1 April 2018

The Company does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Company does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss. The Company reclassifies non derivative financial assets out of the 'held for trading' category and into the *'available for sale'*, *'loans and receivables'*, or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments: Recognition and Measurement).

In certain circumstances the Company is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to-maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Profit or Loss.

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if 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.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company has not reclassified any financial assets during the financial year.

2.4.1.8 Derecognition 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 party 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 derecognition 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 recognised in Statement of Profit or Loss.

Financial Liability

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

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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 derecognition 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.

2.4.1.9 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 derecognition 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.

2.4.1.10 De-recognition of financial liabilities

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

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

2.4.1.11 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.

2.4.1.12 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 35 to the Financial Statements.

2.4.1.13 Impairment of Financial Assets

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

SLFRS 9 replaces the "Incurred Loss" model in LKAS 39 with a forward-looking "Expected Credit Loss" (ECL) model. The new model applies to financial assets that are not measured at FVTPL, including loans and receivables and all other debt securities. ECL does not apply to equity investments and need to be measured at fair value.

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.

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.

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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.

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2.4.1.13.2 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.

2.4.1.13.3 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 in stage 1 or stage 2, such customer moves 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

2.4.1.13.4 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.

2.4.1.13.5 Forward looking information

The Company incorporates forward-looking information in to this model to 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

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2.4.1.13.6 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.

2.4.1.13.7 Rescheduled and Restructured Loans

The Company has not changed the policy on the renegotiated loans as explained in note 2.4.1.13.12 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 are substantial loan is derecognised, as explained note no 2.4.1.13.12.

Policy Applicable before 1 April 2018

2.4.1.13.8 Impairment of Loans and Advances

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual and collectively basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

2.4.1.13.9 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.

2.4.1.13.10 Collectively assessed loans and receivables

Company policy is to evaluate all the loans and advances using collective impairment which were classified in following two circumstances.

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans those are not considered individually significant.

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Incurred but not yet identified impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating anestimated collective loss. This reflects impairment losses that the company has incurred as a result of events occurring before the reporting date, which the company is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

2.4.1.13.11 Homogeneous group of loans and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous group of loans. Losses in these group of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.
Following method is used to calculate historical loss experience on a collective basis

2.4.1.13.12 Net flow rate method

Under this methodology, the movement in the outstanding balance of customers in to bad categories over the periods are used to estimate the amount of loans that will eventually be written off as a result of the events occurring before the reporting date which the Company is not able to identify on an individual loan basis and that can be reliably estimated.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss.

These additional macro and portfolio risk factors may include

- Recent loan portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in government laws and regulations

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.

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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.

Write-off of Financial Assets Carried at Amortized Cost

Loans and Advances and Lease Rentals Receivables & Stock Out on Hire (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

2.4.1.13.13 Impairment of Available for Sale Financial Investments (Policy applicable before 1 April 2018)

For available for sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in Other Comprehensive Income.

The Company writes-off certain Available for Sale financial investments when they are determined to be uncollectible.

2.4.1.13.14 Impairment of Held-to-maturity financial assets (Policy applicable before 1 April 2018)

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognized in profit or loss. Interest on impaired assets continues to be recognized through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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2.4.2 Business Combinations and Goodwill

Business Combinations are accounted for using the acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combination).
The Company measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually, or more frequently, if events or changes in circumstance indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGUs) or group of CGUs, which are expected to the benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill associated with a CGU (or group of CGUs) are sold, the difference between the selling price and carrying value of the CGU and goodwill is recognised in the Statement of Profit or Loss. There was no merge or acquisition of a company during the year under review.

2.4.3 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.

2.4.4 Finance and operating leases

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

Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges and impairment provision, are included in 'Lease rentals receivable. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Operating Lease

Agreements which do not transfer to the Company all the risk and rewords incidental to ownership of the leased items are operating lease.

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- **Company as a lessee**

When the Company is the lessee, leased assets are not recognised on the statement of financial position. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

- **Company as a lessor**

Lease rental receivable under operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

2.4.5 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.

2.4.6 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. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.4.7 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.

2.4.8 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.

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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 obtain a valuation 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.

Derecognition

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

2.4.9 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.

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Subsequent Cost

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

Derecognition

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 Standered – 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.

2.4.10 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.

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Derecognition of Intangible Assets

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.

2.4.11 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.

2.4.12 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.

2.4.13 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.

2.4.14 Interest Income and Interest expense

Under SLFRS 9 and LKAS 39, 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. This is similar to interest bearing financial assets classified as available for sale and held to maturity under LKAS 39 is also recognised using the EIR method.

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.

2.4.15 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 5 to the Financial Statements.

2.4.16 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 6 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.

2.4.17 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 and LKAS 39. The methodology adopted by the Company is explained in the note 2.4.1.13

2.4.18 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.

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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 No 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.

2.4.19 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

Changes in Estimates

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

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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.

2.4.20 Taxation

2.4.20.1 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 10 of 2006 (prior to 31 March 2018) and Inland revenue act no. 24 of 2017 (after 1 April 2018) 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.

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2.4.20.2 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

2.4.20.3 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.

2.4.20.4 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.

2.4.20.5 Withholding tax on dividend (WHT)

Withholding tax arises from the distribution of dividends by the Company and is recognised at the time the liability to pay the related dividend is recognised.

2.5 Sri Lanka Accounting Standards issued but not yet effective as at March 31, 2019

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.

i) Sri Lanka Accounting Standard – SLFRS 16 (Leases)

Sri Lanka Accounting Standard – SLFRS 16 (Leases) provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. Those currently classified as operating leases will create on balance sheet long term asset and lease creditor. This supersedes: Sri Lanka Accounting Standard – LKAS 17 (Leases), IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC 15 (Operating Leases - Incentives) and SIC 27 (Evaluating the Substance of Transactions Involving the Legal form of a Lease).
Sri Lanka Accounting Standard – SLFRS 16 (Leases) is effective for annual reporting periods beginning on or after 1 January 2019

The Company is assessing the potential financial impact on its Financial Statements from Sri Lanka Accounting Standard – SLFRS 16 (Leases). We expect to have the main impact from the properties which has taken (as a lessee) on long term rent basis.

ii) IFRIC Interpretation 23 : Uncertainty over income tax treatment

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Sri Lanka Accounting Standard - LKAS 12 (Income tax) and does not apply to taxes or levies outside the scope of Sri Lanka Accounting Standard - LKAS 12 (Income tax), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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The interpretation specifically addresses the followings

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

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3. TRANSITION DISCLOSURES

The following table set out the differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 – "Financial Instruments" are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for 2017/18 does not reflect the requirements of SLFRS 9 –"Financial Instruments" and therefore is not comparable to the information presented for 2018/19 under SLFRS 9 – "Financial Instruments".

	Note	LKAS 39 Measurement		Reclassification	Re- Measurement		SLFRS 9	
		Category	Amount Rs.	Rs.	ECL Rs.	Other Rs.	Amount Rs.	Category
Financial Assets								
Cash and Cash Equivalents	14	AC	319,211,224	-	-	-	319,211,224	AC
Deposits with Licensed Commercial Banks	15	AC	2,870,148,270	-	(1,167,813)	-	2,868,980,457	AC
Financial Assets at amortised cost - Loans and Advances	16	L & R (A)	1,828,012,513	-	(28,126,357)	(1,200,298)	1,798,685,858	AC
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	17	L & R (A)	32,781,432,883	-	(243,515,912)	(6,466,530)	32,531,450,441	AC
Financial assets - avaialble for sale	18	AFS (B)	242,750,448	(242,750,448)	-	-	-	
To: Financial assets - FVOCI				242,750,448	-	-	242,750,448	
Financial Assets - Fair Value through Other Comprehensive Income	18		-	-	-	-	-	FVOCI
Other financial assets	19	L & R (A)	120,174,042	-	(335,727)	-	119,838,315	AC
			38,161,729,380	-	(273,145,809)	(7,666,828)	37,880,916,743	
Non Financial Assets								
Other non-financial assets	20	N/A	59,989,012	-	-	-	59,989,012	N/A
PPE, Intangible assets & Investment Properties	21, 22 & 23	N/A	526,085,399	-	-	-	526,085,399	N/A
Total Assets			38,747,803,791	-	(273,145,809)	(7,666,828)	38,466,991,154	

3. TRANSITION DISCLOSURES (Contd...)

	Note	LKAS 39 Measurement		Reclassification	Re- Measurement		SLFRS 9	
		Category	Amount Rs	Rs	ECL Rs	Other Rs	Amount Rs	Category
Financial Liabilities								
Bank Overdraft		AC	911,107,393	-	-	-	911,107,393	AC
Debt Instruments Issued & Other Borrowed Funds	25	AC	24,007,540,553	-	-	-	24,007,540,553	AC
Other financial liabilities	26	AC	1,495,851,080	-	-	-	1,495,851,080	AC
			26,414,499,026	-	-	-	26,414,499,026	
Non Financial Liabilities								
Other non-financial liabilities	27	N/A	94,819,663	-	-	-	94,819,663	N/A
Income Tax Payable	28	N/A	467,049,110	-	-	-	467,049,110	N/A
Deferred tax liabilities	24	N/A	1,117,242,682	-	-	-	1,117,242,682	N/A
Retirement Benefit Obligations	29	N/A	52,454,163	-	-	-	52,454,163	N/A
Total Liabilities			28,146,064,644	-	-	-	28,146,064,644	

	Note	LKAS 39 Measurement		Reclassification	Re- Measurement		SLFRS 9
		Category	Amount Rs	Rs	ECL Rs	Other Rs	Amount Rs
Equity							
Stated Capital	30	N/A	3,550,000,000	-	-	-	3,550,000,000
Reserves							
Statutory reserve Fund	31	N/A	741,102,713	-	-	-	741,102,713
Available for Sale Reserve	33	N/A	6,658,046	(6,658,046)	-	-	-
Fair Value through Other Comprehensive Income Reserve	33		N/A	6,658,046	-	-	6,658,046
Retained Earning		N/A (C)	6,303,978,388	-	(273,145,809)	(7,666,828)	6,023,165,751
Total Equity			10,601,739,147	-	(273,145,809)	(7,666,828)	10,320,926,510

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3. TRANSITION DISCLOSURES (Contd...)

L & R - Loan & Receivable, AFS - Available for Sale, AC - Amortized Cost, FVPL - Fair Value through P&L, FVOCI - Fair Value through Other Comprehensive Income, n/a - Not Applicable

A Loans and receivables, Lease Rentals Receivable & Stock Out on Hire and Other financial assets have been categorized as at amortised cost upon the adaptation of SLFRS 9

B The financial assets previously classified as Available-for-sale financial assets have been categorised as financial assets measured at FVOCI upon adaptation of SLFRS 9

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

Closing balance under LKAS 39 as at 31st March 2018	6,303,978,388
Re-measurement adjustments on adoption of SLFRS 9	
Recognition of SLFRS 9 ECLs for loans, lease and investments	(280,812,637)
Total charge in equity due to adoption of SLFRS 9	(280,812,637)
Opening balance under SLFRS 9 as 31st March 2018	6,023,165,751

The following table reconcile the aggregate opeining credit loss provision under LKAS 39 to the impairment in ECL under SLFRS 9

	Note	Loan Loss Provision under LKAS 39 as at 31st March 2018 Rs	Re-measurment Rs 000	ECL Impairment under SLFRS 9 as at 1st April 2018 Rs
Deposits with Licensed Commercial Banks	15	-	1,167,813	1,167,813
Financial assets at amortized cost				
Loans & advances	16	116,711,445	243,515,912	360,227,357
Hire	17	98,725,357	28,126,357	126,851,714
Other financial assets	19	210,941	335,727	546,668
		215,647,743	273,145,809	488,793,552

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4. NET INTEREST INCOME

4.1 Interest Income

	2019 Rs.	2018 Rs.
Financial assets at Amortised		
Interest on Lease (Note 4.1.1)	7,510,498,832	7,349,471,718
Interest on Stock Out on Hire	1,393,018	7,506,219
Interest on Term loan	376,514,194	244,620,667
Interest on Margin Trading	33,435,220	10,773,667
Overdue Interest	489,559,831	377,765,522
Interest on Saving Deposits	897,154	438,722
Interest on Fixed Deposits	331,276,988	172,505,667
Interest on Government Securities	25,659,349	108,691,244
Total Interest Income	8,769,234,586	8,271,773,426

4.1.1 Interest on Lease

Leasing Interest Income	8,313,136,098	7,934,273,834
Deferred Promotion Expenses	(802,637,266)	(584,802,116)
	7,510,498,832	7,349,471,718

4.2 Interest Expense

Interest on Commercial Papers	196,083,602	1,972,603
Interest on Bank Loans	1,340,689,044	948,705,225
Interest on Bank Overdrafts	45,230,038	26,924,431
Interest on Intercompany Loans	1,541,175,028	1,458,765,271
Total Interest Expense	3,123,177,712	2,436,367,530
Net Interest Income	5,646,056,874	5,835,405,896

Notional Tax Credit for withholding Tax on Government Securities on Secondary Market Transactions

The Inland Revenue Act No.10 of 2007, provided that a Company which derives interest income from the secondary market transactions in Government Securities (on or after April 1, 2002) would be entitled to a notional tax credit (being one ninth of the net interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.
Accordingly the net interest income earned from the secondary market transactions in Government Securities for the year of 2017/2018, has been grossed up in the Financial Statement & the resulting notional tax credit amounts to Rs. 10,869,124/. However notional tax credit for Government Securities has been revoked by the Inland Revenue Act No.24 of 2017

5. FEE & SEVICE CHARGE INCOME

	2019 Rs.	2018 Rs.
Service Charge	136,597,848	153,526,638
Transfer Fee	78,770,800	72,227,181
	215,368,648	225,753,819

6. OTHER OPERATING INCOME

	2019 Rs.	2018 Rs.
Dividend Income	412,800	360,000
Profit/(Loss) on Disposal of Property, Plant and Equipment	1,670,999	27,550,976
Rent Income	19,121,810	17,841,303
Other Income Recognised from Client	10,289,655	-
Other Income	7,769,043	4,674,786
	39,264,307	50,427,065

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7. IMPAIREMENT CHARGES/ (REVERSAL) AND NET WRITE OFF

	2019 Rs.	2018 Rs.
Financial Assets at amortised cost - Loans and Advances (Note 7.1)	106,718,275	93,546,097
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Note 7.1)	272,049,322	19,642,305
Other Charges Receivable from Client (Note 7.1)	477,232	-
Deposits with Licensed Commercial Banks (Note 7.1)	(299,482)	n/a
Investment Property	21,200,000	-
Total impairment charges	400,145,347	113,188,402
Direect Write Off & Write Back of loans and lease receivables (Note 7.2)	361,436,870	325,727,809
Write off of Good will	-	149,643,651
	761,582,217	588,559,862

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

	2019			
	Rs. Stage 1	Rs. Stage 2	Rs. Stage 3	Rs. Total
Deposits with Licensed Commercial Banks	(299,482)	-	-	(299,482)
Financial assets at amortised cost - Loans and Advances	15,280,569	(17,054,352)	108,492,058	106,718,275
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	22,967,478	68,750,470	180,331,374	272,049,322
Other Charges Receivable from Client	323,200	144,157	9,875	477,232
	38,271,765	51,840,275	288,833,307	378,945,347

	2019 Rs.	2018 Rs.
7.2 Write Off & Write Back - Lease Rentals and Loan Receivable & Stock Out on Hire		
Direct write off during the year	482,179,416	555,667,203
Direct write back during the year	(120,742,546)	(229,939,394)
	361,436,870	325,727,809

7.3 Analysis of Write off and Write back

	2019 Rs.	2018 Rs.
Write off		
Direct write off during the year	482,179,416	555,667,203
Provision against write off		
Financial Assets at amortised cost - Loans and advances (Note 16.3.1)	56,692,166	-
Financial Assets at amortised cost - Lease Rental Receivables & Stock Out on Hire (Note 17.3.1)	78,183,336	-
Other Charges Receivable from Client (Note 19.2.3)	1,850,107	-
	618,905,025	555,667,203
Write back		
Direct write back during the year	(120,742,546)	(229,939,394)
Provision against write back		
Financial Assets at amortised cost - Loans and advances (Note 16.3.1)	(147,280)	-
Financial Assets at amortised cost - Lease Rental Receivables & Stock Out on Hire (Note 17.3.1)	(10,656,340)	-
Other Charges Receivable from Client (Note 19.2.3)	(1,372,875)	-
	(132,919,041)	(229,939,394)
	485,985,984	325,727,809

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

8. PERSONNEL COSTS

	2019 Rs.	2018 Rs.
Salary & Bonus	584,724,267	494,633,889
Contribution to Defined Contribution Plan	57,435,058	49,463,145
Gratuity Charge for the Year (Refer Note No.29.3)	20,938,951	16,335,270
Staff Training	10,583,616	8,643,469
Staff Welfare Expenses	69,564,865	60,805,723
	743,246,757	629,881,496

9. OTHER OPERATING EXPENSES

	2019 Rs.	2018 Rs.
Directors' Emoluments	77,055,723	47,139,015
Auditors' Remuneration	2,200,000	2,026,000
Non-Audit Fee to Auditors	2,619,184	1,798,065
Professional & Legal Expenses	27,740,847	31,598,171
Depreciation on Property, Plant & Equipment	55,965,927	52,725,639
Amortization of Intangible Assets	19,480,123	13,443,577
Office Administration & Establishment Expenses	880,056,807	751,466,131
Advertising and Sales Commission Expenses	91,606,520	96,420,454
Insurance Expenses	14,467,756	17,854,397
Community Welfare Expense	40,698,394	20,138,914
	1,211,891,281	1,034,610,363

10. VAT & NBT ON FINANCIAL SERVICES

	2019 Rs.	2018 Rs.
VAT on Financial Services	507,828,557	545,310,124
NBT on Financial Services	67,710,474	73,271,926
	575,539,031	618,582,050

11. TAXATION

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

Income Statement	2019 Rs.	2018 Rs.
Current Income Tax		
Income Tax for the Year	1,424,466,642	999,249,272
Under/(Over) Provion of Current Taxes in Respect of Previous Year	4,399,669	14,492,075
	1,428,866,311	1,013,741,347
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 24)	(463,787,957)	129,884,312
	965,078,354	1,143,625,659

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

	2019 Rs.	2018 Rs.
Accounting Profit Before Income Taxation	2,598,947,633	3,074,109,742
At the Statutory Income Tax Rate of 28%	727,705,337	860,750,728
Tax Effect of Non Deductible Expenses	2,348,443,409	2,807,860,487
Tax Effect of Other Allowable Credits	(1,651,566,520)	(2,669,261,143)
Tax Effect of Exempt Income	(115,584)	(100,800)
	1,424,466,642	999,249,272
Under/(Over) Provision of Current Tax in Respect of Previous Year	4,399,669	14,492,075
Deferred Taxation Charge/(Reversal) (Refer Note 24)	(463,787,957)	129,884,312
Total Expenses for the Year	965,078,354	1,143,625,659
Effective Tax Rate	37.13%	37.20%

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12. 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	2019 Rs.	2018 Rs.
Profit/ (Loss) attributable to Ordinary Shareholders	1,633,869,279	1,930,484,083
Weighted Average Number of Ordinary Shares during the year	133,958,971	133,958,971
Earnings Per Share	*12.20*	*14.41*

13. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table analyses the carrying amount of the Financial Instruments by category as default in the Sri Lanka Accounting Standard SLFRS 09 (Financial Instrument) [2018 as per Sri Lanka Accounting Standard SLFRS 39 -Financial Instrument -Recognition and Measurements].

13.1 Analysis of Financial Instruments by Measurement Basis as per SLFRS 9

		As at 31 March 2019			
Financial Asset	**Note**	**Fair Value through Profit & Loss** Rs.	**Amortised Cost** Rs.	***Fair Value through* Other Comprehensive Income** Rs.	**Total** Rs.
Cash and Cash Equivalents	14	-	360,674,538	-	360,674,538
Deposits with Licensed Commercial Banks	15	-	2,718,493,173	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	16	-	2,612,784,135	-	2,612,784,135
Financial Assets at amortised cost - *Lease Rentals Receivable & Stock Out* on Hire	17	-	32,727,180,606	-	32,727,180,606
Financial Assets - Fair Value through Other Comprehensive Income	18	-	-	233,184,922	233,184,922
Other Financial Assets	19	-	78,978,234	-	78,978,234
Total		-	38,498,110,686	233,184,922	38,731,295,608
Financial Assets					
Bank Overdraft		-	363,828,670	-	363,828,670
Debt Instruments Issued & Other Borrowed Funds	25	-	24,216,354,239	-	24,216,354,239
Other Financial Liabilities	26	-	1,432,721,107	-	1,432,721,107
Total		-	26,012,904,016	-	26,012,904,016

13.2 Analysis of Financial Instruments by Measurement Basis as per LKAS 39

		As at 31 March 2018				
Financial Asset	**Note**	**Held for Trading**	**Held to Maturity** Rs.	**Loan & Receivable** Rs.	**Available for Sale** Rs.	**Total** Rs.
Cash and Cash Equivalents	14	-	-	319,211,224	-	319,211,224
Deposits with Licensed Commercial Banks	15	-	-	2,870,148,270	-	2,870,148,270
Financial Assets at amortised cost - Loans and Advances	16	-	-	1,828,012,513	-	1,828,012,513
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	17		-	32,781,432,883	-	32,781,432,883
Financial Instrument - Available for Sale	18	-	-	-	242,750,448	242,750,448
Other Financial Assets	19	-	-	120,174,042	-	120,174,042
Total		-	-	37,918,978,932	242,750,448	38,161,729,380
Financial Liabilities						
Bank Overdraft		-	-	911,107,393	-	911,107,393
Borrowed Funds	25	-	-	24,007,540,553	-	24,007,540,553
Other Financial Liabilities	26	-	-	1,495,851,080	-	1,495,851,080
Total		-	-	26,414,499,026	-	26,414,499,026

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14. CASH AND CASH EQUIVALENTS

	2019 Rs.	2018 Rs.
Cash at Bank	94,098,401	30,222,682
Cash in Hand	266,576,137	288,988,542
	360,674,538	319,211,224

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

	2019	2018
Cash and Cash Equivalents	360,674,538	319,211,224
Deposits with Licensed Commercial Banks (Maturity less three Months)	666,588,356	2,856,588,356
Interest Receivables	12,773,148	13,559,914
Less: Impairment for expected credit losses	(244,036)	-
Bank Overdraft	(363,828,670)	(911,107,393)
Cash and Cash Equivalent for Cash Flows purpose	675,963,336	2,278,252,101

15. DEPOSITS WITH LICENSED COMMERCIAL BANKS

	2019 Rs.	2018 Rs.
Deposits with Licensed Commercial Banks	2,706,588,356	2,856,588,356
Interest Receivables	12,773,148	13,559,914
Less: Impairment for expected credit losses (Note 15.2)	(868,331)	n/a
	2,718,493,173	2,870,148,270

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

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

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	2,706,588,356	-	-	2,706,588,356
Interest Receivables	12,773,148	-	-	12,773,148
Less: Impairment for expected credit losses	(868,331)	-	-	(868,331)
	2,718,493,173	-	-	2,718,493,173

15.2 Impairment for Expected Credit Loss

	2019 Rs.	2018 Rs.
Balance as at 1st April 2018	1,167,813	n/a
Net Impairment Charge/(Reversal)	(299,482)	n/a
Balance as at 31st March 2019	868,331	n/a

16. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

	2019 Rs.	2018 Rs.
Term Loan	2,523,498,284	1,842,139,573
Margin Trading	281,649,583	102,584,385
	2,805,147,867	1,944,723,958
Less: Specific Impairment	(48,475,314)	(81,398,682)
Less: Collective Impairment	(143,888,418)	(35,312,763)
	2,612,784,135	1,828,012,513

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

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

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	16,180,858	58,074,456	74,255,314
Exposure subject to Collective Impairment	2,463,384,052	81,594,378	185,914,122	2,730,892,552
Gross Loans and Advances	2,463,384,052	97,775,236	243,988,578	2,805,147,866
Impairment for Expected Credit Losses	(35,013,598)	(15,361,860)	(141,988,273)	(192,363,731)
Net Loans and Advances	2,428,370,454	82,413,376	102,000,305	2,612,784,135

16.2 Impairment for Expected Credit Losses -Loans and Advances

	Loans and Advances Rs.
Balance as at 31 March 2018 (As per LKAS 39)	116,711,444
Impact on Adoption of SLFRS 09	28,126,357
Balance as at 01 April 2018	144,837,801
Impairment Reversal -Specific Provision	(2,647,459)
Gross Charge to Profit or Loss	106,718,275
Net Write -Off During the Year	(56,544,886)
Balance as at 31 March 2019	192,363,731

16.3 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 2018	22,664,532	33,623,888	88,549,381	144,837,801
Impairment Reversal -Specific Provision	-	-	(2,647,459)	(2,647,459)
Gross Charge to Profit or Loss	15,280,569	(17,054,352)	108,492,058	106,718,275
Net Write -Off during the year (Note 16.3.1)	(2,931,501)	(1,207,676)	(52,405,709)	(56,544,886)
Balance as at 31 March 2019	35,013,600	15,361,860	141,988,271	192,363,731

16.3.1 Net Write Off/Write Back

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Write Off	2,931,501	1,230,936	52,529,729	56,692,166
Write Back	-	(23,260)	(124,020)	(147,280)
	2,931,501	1,207,676	52,405,709	56,544,886

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

	2019 Rs.	2018 Rs.
Gross Rentals Receivables	45,543,140,748	44,526,384,109
Less: Unearned Income	(12,269,196,547)	(11,646,225,869)
Less: Specific Impairment	(92,655)	(549,253)
Less: Collective Impairment	(546,670,940)	(98,176,104)
Total Rentals Receivable (Note 17.4 & 17.5)	32,727,180,606	32,781,432,883

Lease rental receivables include receivables amounting to Rs. 3,880 Mn- (2018 Rs. 0 Mn) that have been assigned under a securitisation funding arrangement.

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

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	92,655	-	92,655
Exposure subject to Collective Impairment	29,626,179,114	3,045,808,450	601,863,982	33,273,851,546
	29,626,179,114	3,045,901,105	601,863,982	33,273,944,201
Gross Lease Rental receivables & Stock Out on Hire				
Impairment for Expected Credit Losses	(171,447,968)	(158,112,742)	(217,202,885)	(546,763,595)
Net Lease Rental receivables & Stock Out on Hire	29,454,731,145	2,887,788,363	384,661,097	32,727,180,606

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

	Lease Rentals Receivable & Stock Out on Hire Rs.
Balance as at 31 March 2018 (As per LKAS 39)	98,725,357
Impact on adoption of SLFRS 09	243,515,911
Balance as at 01 April 2018	342,241,268
Gross Charge to Profit or Loss	272,049,322
Net Write -Off During the Year	(67,526,995)
Balance as at 31 March 2019	546,763,595

17.3 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 2018	154,500,077	123,571,450	64,169,741	342,241,268
Gross Charge to Profit or Loss	22,967,478	68,750,470	180,331,374	272,049,323
Net Write -Off during the year (Note 17.3.1)	(6,019,587)	(34,209,178)	(27,298,230)	(67,526,995)
Balance as at 31 March 2019	171,447,968	158,112,742	217,202,885	546,763,595

17.3.1 Net Write Off/Write Back	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Write Off	11,219,126	38,290,732	28,673,478	78,183,336
Write Back	(5,199,539)	(4,081,554)	(1,375,247)	(10,656,340)
	6,019,587	34,209,178	27,298,230	67,526,995

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

17.4 As at 31st March 2019

	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Rental Receivables	20,624,468,136	24,760,687,286	157,985,326	45,543,140,748
Less: Unearned Income	(6,545,360.028)	(5,708,562,986)	(15,273.533)	(12,269,196,547)
	14,079,108.108	19,052,124,300	142,711,793	33,273,944,201
Less: Specific Provision				(92,655)
Less: Collective Impairment				(546,670,940)
				32,727,180,606

17.5 As at 31st March 2018

	1 Year Rs.	1- 5 Year Rs.	More than 5 Rs.	Total Rs.
Rental Receivables	20,443,084,136	23,947,407,341	135,892,632	44,526,384,109
Less: Unearned Income	(6,385,001,639)	(5,249,705,054)	(11,519.176)	(11,646,225,869)
	14,058,082,497	18,697,702,287	124,373.456	32,880,158,240
Less: Specific Provision				(549,253)
Less: Collective Impairment				(98,176,104)
				32,781,432,883

18. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 Rs.	2018 Rs.
Treasury Bond	232,990,223	n/a
Unquoted Shares	194,700	n/a
	233,184,922	n/a

FINANCIAL ASSETS - AVAILABLE FOR SALE

	2019 Rs.	2018 Rs.
Treasury Bond	n/a	242,555,748
Unquoted Shares	n/a	194,700.00
	n/a	242,750,448

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.

19. OTHER FINANCIAL ASSETS

	Note	2019 Rs.	2018 Rs.
Deposits and Prepayment		7,414,383	7,853,427
Amounts Due From Related Parties	19.1	22,041,862	67,627,702
Other Charges Receivable from Client	19.2	49,521,989	44,692,913
		78,978,234	120,174,042

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19. OTHER FINANCIAL ASSETS (Contd...)

19.1 Amounts Due From Related Parties

Amounts Due From Related Parties	Relationship	Note	2019 Rs.	2018 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	34.3	621,895	-
David Pieris Motor Company Lanka (Pvt) Ltd	Affiliate Company	34.3	102,032	-
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	34.3	1,357,456	-
DP Global Ventures (Pvt) Ltd	Affiliate Company	34.3	4,591	-
DP Logistics (Pvt) Ltd	Affiliate Company	34.3	477,139	-
DP Automobiles (Pvt) Ltd	Affiliate Company	34.3	18,528,119	63,619,000
David Pieris Racing & Leisure (Pvt) Ltd	Affiliate Company	34.3	3,896	-
DP Technologies (Pvt) Ltd	Affiliate Company	34.3	507,497	3,583,761
DPMC Assetline Holding (Pvt) Ltd	Affiliate Company	34.3	175,041	-
Assetline Corporate Services (Pvt) Ltd	Affiliate Company	34.3	57,487	-
Assetline Securities (Pvt) Ltd	Affiliate Company	34.3	23,209	65,877
Assetline Insurance Brokers (Pvt) Ltd	Affiliate Company	34.3	-	161,633
Assetline Capital (Pvt) Ltd	Affiliate Company	34.3	183,502	178,855
David Pieris Information Technologies (Pvt) Ltd	Affiliate Company	34.3	-	18,576
			22,041,862	67,627,702

19.2 Other Charges Receivable from Client

	2019 Rs.	2018 Rs.
Other Charges Receivable from Client	50,545,890	44,903,854
Less: Specific Impairment	(178,512)	(72,642)
Less: Collective Impairment	(845,389)	(138,299)
	49,521,989	44,692,913

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

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	122,381	56,131	178,512
Exposure subject to Collective Impairment	44,952,137	4,514,479	900,762	50,367,377
Gross Loan and Lease Rental receivables & Stock Out on Hire	44,952,137	4,636,859	956,893	50,545,889
Impairment for Expected Credit Losses	(751,463)	(199,141)	(73,297)	(1,023,901)
Net Loan and Lease Rental receivables & Stock Out on Hire	44,200,674	4,437,719	883,596	49,521,989

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

	Other Financial Assets Rs.
Balance as at 31 March 2018 (As per LKAS 39)	210,941
Impact on Adoption of SLFRS 09	335,728
Balance as at 01 April 2018	546,669
Gross Charge to Profit or Loss	1,850,107
Net Write -Off During the Year	(1,372,875)
Balance as at 31 March 2019	1,023,901

19.2.3 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 2018	428,263	54,983	63,423	546,669
Gross Charge to Profit or Loss	773,214	721,008	355,884	1,850,107
Net Write -Off During the Year	(450,014)	(576,851)	(346,010)	(1,372,875)
Balance as at 31 March 2019	751,463	199,140	73,297	1,023,901

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20. OTHER NON FINANCIAL ASSETS

	2019 Rs.	2018 Rs.
Refundable Deposits and Other Receivables	82,377,811	43,828,103
Trading Stock	9,552,976	16,160,909
	91,930,787	59,989,012

21. INVESTMENT PROPERTY

21.1 Qualitative and Quantitative disclosures of the Investment properties

	2019 Rs.	2018 Rs.
Balance at the beginning of the year	325,400,000	490,500,000
Improvement Cost	3,482,910	743,267
Donation to the Charity	(11,200,000)	-
Provision made - Embilipitiya	(21,200,000)	-
Change in Fair Value of Investment Property	(9,482,910)	(165,843,267)
Balance at the end of the year	287,000,000	325,400,000

Company made 100% provision for Embilipitiya properties due to the misrepresentation of ownership of the property.

Investment properties are stated at fair value based on the valuation performed by Mr. W. M. Chandrasena Chartered Valuation Surveyor as at 31 March 2019.The valuation is made mainly on the basis of present market value during the time of valuation. The Investment Property of the Company includes the followings

Location	Buildings Sq. Ft	Land in Extent	Fair Value 2019	2018
Pelawatta - Parliament Road	11040	08P	101,000,000	95,000,000
Pelawatta - Pannipitiya Road	7386	08.46P	82,000,000	82,000,000
Ward Place - Colombo 08	2475	03P	36,000,000	48,000,000
Bolgoda	-	21.53P	-	5,400,000
Kaluaggala	-	03R 05P	-	5,800,000
Nugegoda	-	17P	68,000,000	68,000,000
Embilipitiya	1224	27A 01R 24P	21,200,000	21,200,000
Provision made - Embilipitiya			(21,200,000)	-
			287,000,000	325,400,000

21.2 Net profit from investment properties

	2019 Rs.	2018 Rs.
Rental income derived from investment properties	11,490,277	10,327,528
Direct operating expenses (including repair and maintenance) generate rental income	(867,426)	(109,368)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(2,549,403)	(970,387)
Net profit arising from investment properties carried at fair value	8,073,448	9,247,773

21.3 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 2019	Range 2018
Land & Building	Direct Comparison Method	Estimated Price per sq.ft (Building)	Rs. 5,500- Rs. 7,000	Rs. 2000- Rs.5,500
		Estimated Price per perch (Land)	Rs. 5.5 Mn- Rs. 8.5Mn	Rs. 5 Mn- Rs. 10Mn
Land	Direct Comparison Method	Estimated Price per perch	Rs. 4 Mn	Rs. 0.05 Mn - Rs. 4 Mn

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

22. PROPERTY, PLANT AND EQUIPMENT

22.1 Gross Carrying Amounts

	Balance As at 01.04.2018 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Motor Vehicles	5,619,000	-	(2,209,000)	3,410,000
Furniture & Fittings	41,397,806	4,421,261	(3,976,023)	41,843,044
Office Equipment	226,970,891	28,549,731	(8,338,772)	247,181,850
Leasehold Improvements	82,997,657	16,200,529	(1,589,570)	97,608,616
Total	356,985,354	49,171,521	(16,113,365)	390,043,510

22.2 Depreciation

	Balance As at 01.04.2018 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Motor Vehicles	5,615,844	3,158	(2,209,002)	3,410,000
Furniture & Fittings	25,272,702	5,331,682	(3,491,618)	27,112,766
Office Equipment	140,987,665	31,431,677	(7,329,732)	165,089,610
Leasehold Improvements	50,801,817	19,199,410	(1,348,365)	68,652,862
	222,678,028	55,965,927	(14,378,717)	264,265,238

22.3 Gross Carrying Amounts

	Balance As at 01.04.2017 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Motor Vehicles	62,247,279	-	(56,628,279)	5,619,000
Furniture & Fittings	37,755,527	10,154,697	(6,512,418)	41,397,806
Office Equipment	207,052,951	39,614,835	(19,696,895)	226,970,891
Leasehold Improvements	73,442,698	29,204,563	(19,649,604)	82,997,657
	380,498,455	78,974,095	(102,487,196)	356,985,354

22.4 Depreciation

	Balance As at 01.04.2017 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Motor Vehicles	48,323,226	2,611,179	(45,318,561)	5,615,844
Furniture & Fittings	27,271,847	4,422,657	(6,421,802)	25,272,702
Office Equipment	130,257,039	29,643,766	(18,913,140)	140,987,665
Leasehold Improvements	54,024,930	16,048,037	(19,271,149)	50,801,817
	259,877,042	52,725,639	(89,924,651)	222,678,028

22.5 Net Book Values

	2019 Rs.	2018 Rs.
Motor Vehicles	-	3,156
Furniture & Fittings	14,730,278	16,125,104
Office Equipment	82,092,240	85,983,226
Leasehold Improvements	28,955,754	32,195,840
	125,778,272	134,307,326
	125,778,272	134,307,326

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 49.17Mn (2018 Rs. 78.97 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31st March 2019 is Rs. 184.85 Mn (2018 Rs. 171.33 Mn).

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23. INTANGIBLE ASSETS

	Balance As at 01.04.2018 Rs.	Additions Improvements Charge to P/L Rs.	Prior Year Adjustment Rs.	Balance As at 31.03.2019 Rs.
Cost of the Intangible Assets	107,447,129	4,010,153	(4,080,000)	107,377,282
Amortisation & Impairment	41,069,056	19,480,123	-	60,549,179

	2019 Rs.	2018 Rs.
Net Book Value	46,828,103	66,378,073

24. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 28% (2018 - 28%).

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

	2019 Rs.	2018 Rs.
Balance as at the beginning of the year	(1,117,242,682)	(990,757,904)
Charge to Profit or Loss	463,787,957	(129,884,312)
Charge to Other Comprehensive Income	(969,923)	3,399,534
Balance as at the end of the year	(654,424,647)	(1,117,242,682)

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

	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(18,042,033)	(19,398,460)	1,356,427	(6,105,463)	-	-
Depreciation of Lease Assets	(655,271,398)	(1,112,531,387)	457,259,988	(126,152,943)	-	-
	(673,313,431)	(1,131,929,847)	458,616,415	(132,258,406)	-	-
Deferred Tax Assets						
Retirement Benefit Obligation	18,888,784	14,687,165	5,171,542	2,374,094	(969,923)	3,399,534
	18,888,784	14,687,165	5,171,542	2,374,094	(969,923)	3,399,534
Deferred Income Tax (Charge)/Reversal			463,787,957	(129,884,312)	(969,923)	3,399,534
	(654,424,647)	(1,117,242,682)				

25. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

	Note	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.
Bank Loans	25.1	10,506,899,187	2,471,814,133	12,978,713,320	9,000,444,949	1,556,527,333	10,556,972,282
Commercial Papers	25.2	1,923,211,847	-	1,923,211,847	1,001,972,603	-	1,001,972,603
Inter Company Borrowings	25.3	1,727,429,072	7,587,000,000	9,314,429,072	3,278,595,668	9,170,000,000	12,448,595,668
		14,157,540,106	10,058,814,133	24,216,354,239	13,281,013,220	10,726,527,333	24,007,540,553

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

25.1 Bank Loans

	As at 31.03.2018							As at 31.03.2019		
	Capital Rs.	Int. Payable Rs.	Total	Loans Obtained Rs.	Interest Expenses Rs.	Capital Repayment Rs.	Interest Paid Rs.	Capital Rs.	Int. Payable Rs.	Total Rs.
Commercial Bank of Ceylon PLC										
LoanNo:1702068	44,000,000	94,678	44,094,678	-	2,449,037	44,000,000	2,543,715	-	-	-
LoanNo:1714288	52,016,000	111,927	52,127,927	-	3,150,208	52,016,000	3,262,135	-	-	-
LoanNo:1915253	934,430,000	2,010,689	936,440,689	-	87,633,470	399,366,000	88,374,811	535,064,000	1,269,348	536,333,348
LoanNo:1989383	600,016,000	1,639,934	601,655,934	-	65,627,975	199,992,000	66,073,755	400,024,000	1,194,154	401,218,154
STL	-	-	-	1,600,000,000	105,676,027	1,350,000,000	104,429,452	250,000,000	1,246,575	251,246,575
Hatton National Bank PLC										-
Loan 5	416,648,000	1,849,004	418,497,004	-	36,300,860	250,008,000	37,324,060	166,640,000	825,804	167,465,804
STL	4,350,000,000	17,174,082	4,367,174,082	10,700,000,000	492,878,653	9,750,000,000	476,130,598	5,300,000,000	33,922,137	5,333,922,137
Sampath Bank PLC										-
Loan No :719	223,000,000	429,626	223,429,626	-	12,685,987	223,000,000	13,115,613	-	-	-
Loan No :759	625,220,000	1,204,533	626,424,533	-	47,363,225	499,920,000	48,302,672	125,300,000	265,087	125,565,087
Loan No :913	302,400,000	632,306	303,032,306	-	32,256,784	124,800,000	32,484,162	177,600,000	404,928	178,004,928
Loan No :920	223,700,000	467,748	224,167,748	-	23,856,849	92,400,000	24,025,233	131,300,000	299,364	131,599,364
STL	1,300,000,000	2,578,521	1,302,578,521	3,950,000,000	133,220,041	3,750,000,000	132,528,973	1,500,000,000	3,269,589	1,503,269,589
Standard Chartered Bank	550,000,000	4,172,767	554,172,767	1,850,000,000	90,923,864	2,400,000,000	95,096,629	-	-	-
Nations Trust Bank PLC - STL	500,000,000	4,070,137	504,070,137	3,500,000,000	103,246,712	3,000,000,000	103,736,301	1,000,000,000	3,580,547	1,003,580,547
NDB Bank PLC - STL	250,000,000	3,123,288	253,123,288	600,000,000	10,612,603	550,000,000	12,263,014	300,000,000	1,472,877	301,472,876
Securitization 01	-	-	-	1,983,155,116	58,514,313	-	615,341	1,983,155,116	57,898,973	2,041,054,089
Seylan Bank	-	-	-	2,000,000,000	33,301,342	1,000,000,000	29,320,521	1,000,000,000.00	3,980,822	1,003,980,821
UBC - LTL	145,833,333	149,709	145,983,042	-	991,094	145,833,333	1,140,803	-	-	-
	10,517,263,333	39,708,949	10,556,972,282	26,183,155,116	1,340,689,044	23,831,335,333	1,270,767,788	12,869,083,116	109,630,205	12,978,713,320

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

25.1 Bank Loans (Contd...)

Name of the Bank	Repayment Terms	Security
Commercial Bank of Ceylon PLC	60 equal monthly installments	Term loan agrement
Commercial Bank of Ceylon PLC	60 equal monthly installments	Term loan agrement
Commercial Bank of Ceylon PLC	Within 12 months	The corporate guarantee of Rs.2 02 Bn from DPMC Assetline Holdings (Pvt) Ltd
Hatton National Bank PLC	48 equal monthly installments	Term loan agrement
Hatton National Bank PLC	Within 4 months	The corporate guarantee of Rs 1 Bn from DPMC Assetline Holdings (Pvt) Ltd
NDB Bank PLC	Within 3 months	The corporate guarantee of Rs 600 Mn from DPMC Assetline Holdings (Pvt) Ltd
Nations Trust Bank PLC	Within 3 months	The corporate guarantee of Rs 250 Mn from DPMC Assetline Holdings (Pvt) Ltd
Sampath Bank PLC	48 equal monthly installments	Term loan agrement
Sampath Bank PLC	48 equal monthly installments	Term loan agrement
Sampath Bank PLC	48 equal monthly installments	The corporate guarantee of Rs.2.8 Bn from DPMC Assetline Holdings (Pvt) Ltd
Standard Chartered Bank	Within 12 months	Loan agrement

25.2 Commercial Papers

	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.
Commercial Papers	1,912,989,502	-	1,912,989,502	1,000,000,000	-	1,000,000,000
Interest Payable	10,222,345	-	10,222,345	1,972,603	-	1,972,603
	1,923,211,847	-	1,923,211,847	1,001,972,603	-	1,001,972,603

25.3 Inter Company Borrowings

	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.
David Pieris Holdings (Private) Ltd	-	-	-	3,250,000,000	1,750,000,000	5,000,000,000
David Pieris Motor Company (Lanka) Ltd	1,150,000,000	7,507,000,000	8,657,000,000	-	6,780,000,000	6,780,000,000
Assetline Insurance Brokers (Pvt) Ltd	165,000,000	80,000,000	245,000,000	-	140,000,000	140,000,000
DPMC Assetline Holdings (Pvt) Ltd	190,000,000	-	190,000,000	-	500,000,000	500,000,000
Assetline Capital (Pvt) Ltd	100,000,000	-	100,000,000	-	-	-
Assetline Securities (Pvt) Ltd	30,000,000	-	30,000,000	-	-	-
DP Logistics (Pvt) Ltd	40,000,000	-	40,000,000	-	-	-
Interest Payable	52,429,072	-	52,429,072	28,595,668	-	28,595,668
	1,727,429,072	7,587,000,000	9,314,429,072	3,278,595,668	9,170,000,000	12,448,595,668

25.4 Terms & Condition for Inter Company Borrowings

Inter Company Borrowings	Facility Amount	Maturity Date	Period	Repayment Terms	Security Statust
David Pieris Motor Company (Lanka) Ltd	250,000,000	3/19/2020	18 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	900,000,000	3/19/2020	18 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	800,000,000	9/26/2020	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	900,000,000	9/26/2020	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	950,000,000	9/26/2020	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	980,000,000	9/26/2020	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	9/26/2020	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	27,000,000	12/12/2020	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	3/19/2021	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	850,000,000	3/22/2021	24 months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	3/27/2021	24 months	At Maturity	Term loan agrement
Assetline Insurance Brokers Pvt Ltd	140,000,000	9/15/2019	18 months	At Maturity	Term loan agrement
Assetline Insurance Brokers Pvt Ltd	80,000,000	1/23/2021	24 months	At Maturity	Term loan agrement
DPMC Assetline Holdings Pvt Ltd	190,000,000	9/28/2019	18 months	At Maturity	Term loan agrement
Assetline Insurance Brokers Pvt Ltd	25,000,000	7/1/2019	12 Months	At Maturity	Loan agrement
Assetline Capital Pvt Ltd	100,000,000	7/1/2019	12 Months	At Maturity	Loan agrement
Assetline Securities Pvt Ltd	30,000,000	4/8/2019	6 Months	At Maturity	Loan agrement
DP Logistics Pvt Ltd	40,000,000	3/11/2020	12 Months	At Maturity	Loan agrement

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26. OTHER FINANCIAL LIABILITIES

	Note	2019 Rs.	2018 Rs.
Trade - Related Parties	26.1	169,370,546	237,865,677
Trade - Other Parties		445,357,839	536,911,654
Amount collected from customers		570,126,213	511,724,889
Amounts Due to Related Parties	26.2	22,233,589	31,069,191
Advertising and Promotion Expenses Payable		3,861,699	34,098,145
Dividend Payable		95,619,914	-
Sundry Creditor		126,151,307	144,181,524
		1,432,721,107	1,495,851,080

26.1 Trade Payables to Related Parties

	Relationship	Note	2019 Rs.	2018 Rs.
David Pieris Holding (Pvt) Ltd.	Ultimate Parent Company	34.3	-	7,930,145
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	34.3	8,950,930	-
David Pieris Motor Company (Lanka) Ltd	Affiliate Company	34.3	153,128,616	228,418,178
David Pieris Automobiles (Pvt) Ltd	Affiliate Company	34.3	7,291,000	755,000
DP Logistics (Pvt) Ltd	Affiliate Company	34.3	-	762,354
			169,370,546	237,865,677

26.2 Amounts Due to Related Parties

	Relationship	Note	2019 Rs.	2018 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	34.3	11,991,841	28,038,202
DPMC Assetline Holdings (Pvt) Ltd	Parent Company	34.3	248,578	659,504
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	34.3	5,627,551	-
David Pieris Racing & Leisure (Pvt) Ltd	Affiliate Company	34 3	336,175	-
DP Technologies (Pvt) Ltd	Affiliate Company	34 3	2,182,653	-
DP Global Ventures (Pvt) Ltd	Affiliate Company	34 3	-	67,052
DP Automobiles (Pvt) Ltd	Affiliate Company	34 3	180,000	1,360,486
DP Logistics (Pvt) Ltd	Affiliate Company	34.3	1,250,000	762,354
Assetline Corporate Services (Pvt) Limited	Affiliate Company	34.3	355,768	181,593
Assetline Capital (Pvt) Ltd	Affiliate Company	34.3	60,000	-
Assetline Securities (Pvt) Ltd	Affiliate Company	34.3	1,023	-
			22,233,589	31,069,191

27. OTHER NON FINANCIAL LIABILITIES

	2019 Rs.	2018 Rs.
Guarantee Fee	369,921	1,087,188
Statutory Payment	130,131,514	91,871,008
Sundry Creditors	2,391,738	1,861,467
	132,893,173	94,819,663

28. INCOME TAX LIABILITIES

Income Taxation Payable	2019 Rs.	2018 Rs.
As at Beginning of the Year	467,049,110	194,639,817
Dividend Tax Paid for Prior Year Provision	-	(23,040,943)
Income Tax Paid	(1,169,969,157)	(565,134,208)
Adjustment (ESC/ WHT ect.)	(151,924,330)	(153,156,903)
Prior year (Over)/Under Provision	4,399,669	14,492,075
Provision for the Year (Note 11.1)	1,424,466,642	999,249,272
As at the end of the year	574,021,934	467,049,110

29. RETIREMENT BENEFIT OBLIGATIONS

29.1 Net Liability Recognised in the Statement of Financial Position	Note	2019 Rs.	2018 Rs.
Balance as at 1 April		52,454,163	31,834,059
Provision made during the year	29.3 & 29 4	17,474,940	28,476,464
Benefits paid by the plan	29.2	(2,469,160)	(7,856,360)
Balance as at 31 March		67,459,943	52,454,163

29. RETIREMENT BENEFIT OBLIGATIONS (Contd..)

29.2 Defined Benefit Obligation

		2019 Rs.	2018 Rs.
Balance as at 1 April		52,454,163	31,834,059
Current Service Cost	29.3	15,868,943	12,703,320
Interest Cost	29.3	5,070,008	3,631,950
Benefits paid by the plan		(2,469,160)	(7,856,360)
(Gains) /Losses due to the Changes in Financial Assumptions	29.4	(9,479,540)	3,569,502
(Gains) /Losses due to the Changes in experience	29.4	6,258,516	8,564,000
(Gains) /Losses due to the Changes in Demographic Assumptions	29.4	(242,987)	7,692
Balance as at 31 March		67,459,943	52,454,163

29.3 Amounts Recognised in Profit or Loss

	2019	2018
Current Service Cost for the Year	15,868,943	12,703,320
Interest Cost for the Year	5,070,008	3,631,950
	20,938,951	16,335,270

29.4 Amounts Recognised in Other Comprehensive Income

	2019	2018
(Gains) /Losses due to the Changes in Financial Assumptions	(9,479,540)	3,569,502
(Gains) /Losses due to the Changes in experience	6,258,516	8,564,000
(Gains) /Losses due to the Changes in Demographic Assumptions	(242,987)	7,692
	(3,464,011)	12,141,194

29.5 Assumptions

	2019	2018
Discount Rate	10.91%	9.89%
Salary Increment	11.00%	10.00%
Retirement Age	55 Years	55 Years
Expected Average Future Working Years	6.14 Years	6.06 Years

29.6 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.

	2019		
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%		3.96	-3.96
-1%		-4.44	4.44
	1%	-4.39	4.39
	-1%	3.99	-3.99

	2018		
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%		3.24	-3.24
-1%		-3.67	3.67
	1%	-3.63	3.63
	-1%	3.27	-3.27

30. STATED CAPITAL

	2019		2018	
Issued and Fully Paid-Ordinary Shares	**No of Shares**	**Rs.**	**No of Shares**	**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.

31. 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.

	2019 Rs.	2018 Rs.
At the beginning of the year	741,102,713	645,444,161
Transfer of Reserve on Acquisition of Lisvin Investments (Pvt) Ltd	-	(865,652)
Profit transferred during the year	81,693,464	96,524,204
At the end of the year	822,796,177	741,102,713

32. 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.

33. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

Fair value through other comprehensive income reserve, which comprises changes in fair value of available for sale investments.

	2019 Rs.	2018 Rs.
At the beginning of the year	6,658,046	n/a
Changes in fair value during the year	(4,974,874)	n/a
At the end of the year	1,683,172	n/a

AVAILABLE FOR SALE RESERVE	**2019** **Rs.**	**2018** **Rs.**
At the beginning of the year	n/a	(6,473,153)
Changes in fair value during the year	n/a	13,131,199
At the end of the year	n/a	6,658,046

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34. 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,

34.1 Terms and Condition

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

34.2 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, Directors of its parent Company and Directors of its ultimate parent Company. In the event the Compliance Officer is not selected from the Board of Directors, such Compliance Officer shall be considered as a Key Management Person of the Company

34.2.1 Key Management Personnel Compensation

	2019 Rs.	2018 Rs.
Short Term Employees Benefits	77,055,723	47,139,015
Post - Employment Benefits	3,936,723	2,804,778
Mony Value of Perquisites	876,107	-
Other Long Term Benefits	600,000	3,920,000
	82,468,553	65,153,438
Direct and indirect accommodations as a percentage of Capital funds	0.01%	0.08%

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

	2019 Rs.	2018 Rs.
Commercial Papers		
Commercial Paper issued during the year	1,874,201,155	1,000,000,000
Commercial Paper matured during the year	(1,000,000,000)	-
Expenses		
Interest Expense	196,083,602	1,972,603

Accommodations Grante	Type of Security	Transactions Amount	Amount of Outstanding	
			2019	2018
		Rs.	Rs.	Rs
Lease rental receivable	Absolute Ownership of the Leased Assets & Personal Guarantee	1,568,300	1,463,725	8,685,770

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34. RELATED PARTY DISCLOSURES (Contd...)

34.3 Transactions with Group Companies

Name of the Company and Relationship	Nature of Transactions	2019 Rs	2018 Rs
DPMC Assetline Holdings (Pvt) Ltd	**As at March 31**		
- Parent Company	Non Trading Receivable	175,041	-
	Non Trading Payable	248,578	659,504
	Transactions for the period		
	Loan Obtained	155,000,000	500,000,000
	Loan Repayments	465,000,000	-
	Interest Expenses	68,191,443	656,985
	Dividend Payment	95,619,912	4,606,714,985
	Received - Reimbursement of Expenses	1,435,267	-
	Reimbursed Expenses	190,722	795,177
	Professional Charges	3,964,708	3,515,075
	Vehicle Hiring Income	-	821,100
	Leased Hold Improvement	1,210,768	-
	Other Expense	3,655	-
David Pieris Holdings (Private) Ltd	**As at March 31**		
- Ultimate Parent Company	Non Trading Receivable	621,895	-
	Trading Payable	-	7,930,145
	Non Trading Payable	11,991,841	28,038,202
	Transactions for the period		
	Loan Obtained	5,627,000,000	5,000,000,000
	Loan Repayments	10,627,000,000	832,916,667
	Leasing of Motor Vehicles	30,154,225	2,712,411,114
	Interest Expenses	559,514,092	42,724,971
	Received - Reimbursement of Expenses	33,458,994	-
	Internal Audit Fees	8,568,333	7,499,996
	Rent Expenses	57,277,872	47,014,763
	Promotion & Other Expenses	-	1,444,757
	Vehicle Repaired Expenses	-	258,623
	RMV Charges	143,660	45,932,020
	Purchase of Fixed Assets	21,730	12,256,745
	Reimbursed Expenses	141,520,557	135,429,791
	Service Charge Income	387,090	422,280
	Other Expense	2,240	-
David Pieris Motor Company (Lanka) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	102,032	-
	Non Trading Payable	-	
	Trading Payable	153,128,616	228,418,178
	Transactions for the period		
	Loan Obtained	10,317,000,000	13,910,000,000
	Loan Repayments	8,440,000,000	15,568,333,333
	Leasing of Motor Vehicles	3,846,502,005	3,164,961,497
	Interest Expenses	867,285,328	1,412,542,257
	Received - Reimbursement of Expenses	102,032	-
	Purchased of Tyre	-	-
	RMV Charges	72,117,990	50,866,150
	Vehicle Repaired and Transport Charges	-	-
	Rent Expenses	-	
	Reimbursed Expenses	-	-
	Other Expense	-	303,459

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34. RELATED PARTY DISCLOSURES (Contd...)

34.3 Transactions with Group Companies (Contd...)

Name of the Company and Relationship	Nature of Transactions	2019 Rs	2018 Rs
David Pieris Motor Company (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	1,357,456	
	Non Trading Payable	5,627,551	
	Trading Payable	8,950,930	
	Transactions for the period		
	Received - Reimbursement of Expenses	1,357,456	-
	Leasing of Motor Vehicles	107,210,220	-
	Reimbursed Expenses	59,269,321	-
	Purchased of promotional items	5,764,216	-
	Rent Expense	945,675	-
	Other Expense	1,083,324	-
Assetline Insurance Brokers Ltd	**As at March 31**		
- Affiliate Company	Intercompany Receivable		161,633
	Transactions for the period		
	Loan Obtained	105,000,000	420,000,000
	Loan Repayments	-	280,000,000
	Interest Expenses	22,391,227	1,984,126
	Received - Reimbursement of Expenses	2,740,026	
	Reimbursed Expenses	-	1,514,452
	Leasing of Motor Vehicles	-	245,000
DP Logistics (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	477,139	-
	Trading Payable	-	762,354
	Non Trading Payable	1,250,000	-
	Transactions for the period		
	Loan Obtained	80,000,000	-
	Loan Repayments	40,000,000	-
	Interest Expenses	4,200,285	-
	Building Rent Income	4,542,039	5,369,563
	Received - Reimbursement of Expenses	189,354	-
	Transport Charges	-	5,983
	Sale of Assets	2,334,383	-
	Outsource Service	18,262,679	25,118,125
	Reimbursed Expenses	-	108,070
Assetline Corporate Services (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	57,486	-
	Non Trading Payable	355,768	181,593
	Transactions for the period		
	Received - Reimbursement of Expenses	764,809	-
	Secretarial Fees	4,657,004	3,258,191
	Reimbursed Expenses	31,666	283,385
Assetline Securities (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	23,208	65,877
	Non Trading Payable	1,023	-
	Transactions for the period		
	Loan Obtained	45,000,000	-
	Loan Repayments	15,000,000	-
	Interest Expenses	4,273,792	-
	Received - Reimbursement of Expenses	852,258	
	Reimbursed Expenses	15,456	939,111
	Margin Trading -Purchased of share	46,051,668	49,803,990
	Margin Trading -Sell of shares	63,710,349	-
	Dividend Payment	-	34
	Other Expense	105,987	-

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34. RELATED PARTY DISCLOSURES (Contd..)

34.3 Transactions with Group Companies (Contd...)

		2019 Rs.	2018 Rs.
DP Automobiles (Private) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	27,119	-
	Non Trading Payable	180,000	1,360,486
	Trading Receivable	18,501,000	63,619,000
	Trading Payable	7,291,000	755,000
	Transactions for the period		
	Received - Reimbursement of Expenses	27,119	-
	Leasing of Motor Vehicles	138,572,019	90,730,920
	Commission & Other Expenses	1,606,648	2,315,075
	Karting Circuit Membership Fee	613,238	2,905,406
	Rent Expenses	1,701,000	153,000
	Sale of Vehicle	226,579,500	98,231,150
	Reimbursed Expenses	-	1,041,506
DP Global Ventures (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	4,591	-
	Non Trading Payable	-	67,052
	Transactions for the period		
	Received - Reimbursement of Expenses	14,956	-
	Reimbursed Expenses	244,922	4,735,256
DP Technologies (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	507,497	3,583,761
	Non Trading Payable	2,182,653	-
	Transactions for the period		
	Loan Obtained	140,000,000	-
	Loan Repayments	140,000,000	-
	Interest Expenses	4,166,203	-
	Building Rent Income	7,274,035	3,398,880
	Repair and Maintenance	20,640,067	30,386,847
	System Modification & Installation	4,980,306	49,345,994
	Reimbursed Expenses	156,833	1,981,112
	Others	1,958,450	-
David Piers Information Technologies Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	18,576
	Intercompany Payable	-	-
	Transactions for the period		
	Reimbursed Expenses	176,974	18,576
	Repaired & Purchased of Computer Accessories	911,934	-
	Purchase of Office Equipment	3,412,426	75,900
	Leased Hold Improvement	3,087,425	-
	License Renewal	14,309,113	-
	Repair and Computer System Maintenance	38,522,912	-
	Other Expenses	278,935	139,099
David Pieris Racing & Leisure (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	3,896	-
	Non Trading Payable	336,175	-
	Transactions for the period		
	Loan Obtained	40,000,000	-
	Loan Repayments	40,000,000	-
	Interest Expense	421,151	-
	Received - Reimbursement of Expenses	3,896	-
	Sponsorship	-	2,000,000
	Karting Circuit Membership Fee	4,588,789	-
Assetline Capital (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	183,502	178,855
	Non Trading Payable	60,000	-
	Transactions for the period		
	Loan Obtained	100,000,000	200,000,000
	Loan Repayments	-	200,000,000
	Interest Expense	10,731,507	856,932
	Received - Reimbursement of Expenses	722,725	-
	Dividend Payment	-	34
	Income Fund	1,466,396	-
	Courier Charges	360,726	353,582
	Reimbursed Expenses	4,000	560,046

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 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		**2019** Rs.			**2018** Rs.	
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets - FVOCI	232,990,223	-	-	n/a	n/a	n/a
Financial Instrument Available-for- Sale	n/a	n/a	n/a	242,555,748	-	-
Investment Property	-	-	287,000,000	-	-	325,400,000
Total Assets	232,990,223	-	287,000,000	242,555,748	-	325,400,000

Level 3- Investment property Valuation

Date of valuation	31.03.2019
Valuvation technique	- Direct Comparison Method
Significant unobservable inputs	- Estimated Price per sq.ft
	- Estimated Price per perch

35.2 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 instrument.

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

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

	2019 Rs.				2018 Rs.			
	Fair Value			Carrying	Fair Value			Carrying
FINANCIAL ASSETS	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3	Amount
Financial Assets at amortised cost - Loans and Advances	-	2,920,791,004	-	2,612,784,135	-	2,038,475,675	-	1,828,012,513
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire		34,509,926,608	-	32,727,180,606		33,738,193,960	-	32,781,432,883
	-	37,430,717,612	-	35,339,964,741	-	35,776,669,635	-	34,609,445,396
FINANCIAL LIABILITIES								
Debt Instruments Issued and Other borrowed funds	-	24,241,928,905	-	24,216,354,239	-	24,007,540,553	-	24,007,540,553
	-	24,241,928,905	-	24,216,354,239	-	24,007,540,553	-	24,007,540,553

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

36. 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 2019	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS						
Cash and Bank Balances	360,674,538	-	-	-	-	360,674,538
Deposits with Licensed Commercial Banks	679,147,648	2,039,345,525	-	-	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	1,181,738,179	834,244,571	504,021,229	91,607,794	1,172,362	2,612,784,135
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,887,188,871	8,963,041,138	15,220,955,759	3,515,707,573	140,287,265	32,727,180,606
Other Financial Assets	77,953,384	50,000	974,850	-	-	78,978,234
Financial Assets - Fair Value through Other Comprehensive Income	48,679,406	54,286,318	104,721,640	25,302,858	194,700	233,184,922
Other Non Financial Assets	65,632,389	16,130,148	7,673,250	2,495,000	-	91,930,787
Investment Properties	-	-	-	-	287,000,000	287,000,000
Property, Plant & Equipment	-	-	-	-	125,778,272	125,778,272
Intangible Assets	-	-	-	-	46,828,103	46,828,103
TOTAL ASSETS	7,301,014,416	11,907,097,699	15,838,346,728	3,635,113,225	601,260,702	39,282,832,770
LIABILITIES						
Bank Overdraft	363,828,670	-	-	-	-	363,828,670
Debt Instruments Issued and Other Borrowed Funds	4,631,524,350	9,526,015,756	8,110,044,184	1,948,769,949	-	24,216,354,239
Other Financial Liabilities	1,432,721,107	-	-	-	-	1,432,721,107
Other Non Financial Liabilities	132,893,173	-	-	-	-	132,893,173
Income Taxation Payable	218,821,625	355,200,309	-	-	-	574,021,934
Deferred Tax Liability	-	-	-	-	654,424,647	654,424,647
Retirement Benefit Obligations	-	-	-	-	67,459,943	67,459,943
TOTAL LIABILITIES	6,779,788,925	9,881,216,065	8,110,044,184	1,948,769,949	721,884,590	27,441,703,713

As at 31 March 2018	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS						
Cash and Bank Balances	319,211,224	-	-	-	-	319,211,224
Deposits with Licensed Commercial Banks	9,641,096	2,860,507,174	-	-	-	2,870,148,270
Loans and Advances	846,832,092	671,678,470	255,501,499	53,917,950	82,502	1,828,012,513
Lease Rentals Receivable & Stock Out on Hire	4,794,251,361	9,221,500,040	15,307,912,532	3,333,778,273	123,990,677	32,781,432,883
Other Financial Assets	119,599,192	-	574,850	-	-	120,174,042
Financial Instruments- Available for Sale	4,793,658	11,499,761	114,323,908	111,938,421	194,700	242,750,448
Other Non Financial Assets	29,105,771	12,935,700	12,559,187	5,388,354	-	59,989,012
Investment Properties	-	-	-	-	325,400,000	325,400,000
Property, Plant & Equipment	-	-	-	-	134,307,326	134,307,326
Intangible Assets	-	-	-	-	66,378,073	66,378,073
TOTAL ASSETS	6,123,434,394	12,778,121,145	15,690,871,976	3,505,022,998	650,353,277	38,747,803,791
LIABILITIES						
Bank Overdraft	911,107,393	-	-	-	-	911,107,393
Debt Instruments Issued and Other Borrowed Funds	8,531,206,220	4,749,807,000	10,726,527,333	-	-	24,007,540,553
Other Financial Liabilities	1,495,851,080	-	-	-	-	1,495,851,080
Other Non Financial Liabilities	94,819,663	-	-	-	-	94,819,663
Income Tax Payable	467,049,110	-	-	-	-	467,049,110
Deferred Tax Liability	-	-	-	-	1,117,242,682	1,117,242,682
Retirement Benefit Obligations	-	-	-	-	52,454,163	52,454,163
TOTAL LIABILITIES	11,500,033,466	4,749,807,000	10,726,527,333	-	1,169,696,845	28,146,064,644

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37. RISK MANAGEMENT

37.1 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.

37.1.1 Risk Management Structure

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee, 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 mont, 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.

37.1.2 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.

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37. RISK MANAGEMENT (Contd...)

37.2 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.

37.2.1 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.

37. RISK MANAGEMENT (Contd...)

37.2 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:

- 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.

37.2.1.1 Assessment of provision for Impairment

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

As at 31 March 2019	Note	Stage 1	Stage 2	Stage 3	Total
Deposits with Licensed Commercial Banks	15.1	868,331	-	-	868,331
Financial assets at amortised cost - Loans and Advances	16.1	35,013,598	15,361,860	141,988,273	192,363,731
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	17.1	171,447,968	158,112,742	217,202,885	546,763,595
Other Charges Receivable from Client	19.2.1	751,463	199,141	73,297	1,023,901
Total provision for impairment		208,081,360	173,673,743	359,264,455	741,019,558

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

	Total
Balance as at 1st April 2019	488,793,552
Net charge to Profit or loss	252,226,005
Balance as at 31st March 2019	741,019,557

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37. RISK MANAGEMENT (Contd...)

37.2.1.2 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, 2019, 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 Bank as at March 31, 2019 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	72,550,133	9,212,295	-	81,762,428.00	81,762,428.00
PD 1% decrease across all age buckets *	(70,334,111)	(9,206,791)	-	(79,540,902.00)	(79,540,902.00)
LGD 5% increase	29,366,874	25,232,455	-	54,599,329.00	54,599,329.00
*LGD 5% decrease **	*(29,366,874)*	*(25,232,455)*	-	*(54,599,329.00)*	*(54,599,329.00)*

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

37.2.2 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.

	2019		2018	
	Maximum Exposure to credit Risk	Net Exposure	Maximum Exposure to credit Risk	Net Exposure
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balance	360,674,538	94,098,401	319,211,224	30,222,682
Deposits with Licensed Commercial Banks	2,718,493,173	2,718,493,173	2,870,148,270	2,870,148,270
Financial Assets at amortised cost - Loans and Advances	*2,612,784,135*	-	*1,828,012,513*	-
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	32,727,180,606	-	32,781,432,883	-
Other Financial Assets	78,978,234	29,456,244	120,174,042	75,481,129
Financial Assets - Fair Value through Other Comprehensive Income	233,184,922	233,184,922	n/a	n/a
Financial Instruments - Available for Sale	n/a	n/a	242,750,448	242,750,448
	38,731,295,608	3,075,232,740	38,161,729,380	3,218,602,529

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37. RISK MANAGEMENT (Contd...)

37.2.3 Credit Quality by class of Financial Assets

As at 31 March 2019

	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	
Assets				
Cash and Bank Balances	360,674,538	-	-	360,674,538
Deposits with Licensed Commercial Banks	2,718,493,173	-	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	2,288,174,113	442,718,440	74,255,314	2,805,147,867
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	16,680,162,644	16,593,688,903	92,655	33,273,944,202
Other Financial Assets	29,456,244	50,367,378	178,512	80,002,133
Financial Assets - Fair Value through Other Comprehensive Income	233,184,922	-	-	233,184,922
Total	22,310,145,634	17,086,774,721	74,526,481	39,471,446,836

* 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				
	Less than 30 2019	31 to 60 days 2019	61 to 90 days 2019	More than 91 2019	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets at amortised cost - Loans and Advances	189,470,768	43,915,136	28,953,677	180,378,859	442,718,440
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	8,411,910,512	4,696,885,246	2,017,766,109	1,467,127,036	16,593,688,903
Other Financial Assets	17,830,533	7,539,433	4,158,534	20,838,878	50,367,378
	8,619,211,813	4,748,339,815	2,050,878,320	1,668,344,773	17,086,774,721

As at 31 March 2018

	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Bank Balances	319,211,224	-	-	319,211,224
Deposits with Licensed Commercial Banks	2,870,148,270	-	-	2,870,148,270
Loans and Advances	1,575,808,712	287,516,565	81,398,682	1,944,723,959
Lease Rentals Receivable & Stock Out on Hire	16,800,062,401	16,079,546,585	549,253	32,880,158,239
Other Financial Assets	75,481,129	44,831,213	72,642	120,384,984
Financial Instruments- Available for Sale	242,750,448	-	-	242,750,448
Total	21,883,462,184	16,411,894,363	82,020,577	38,377,377,124

* Collectively assessed for impairment

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37. RISK MANAGEMENT (Contd.)

37.2.3 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

	Past Due but Not Impaired				
	Less than 30 2018 Rs.	31 to 60 days 2018 Rs.	61 to 90 days 2018 Rs.	More than 91 2018 Rs.	Total Rs.
Financial Assets at amortised cost - Loans and Advances	83,074,426	80,880,043	46,667,144	76,894,952	287,516,565
Financial Assets at amortised cost - Lease Rentals Receivable & Stock	4,778,993,662	6,474,899,339	3,362,460,035	1,463,193,549	16,079,546,585
Other Financial Assets	5,303,712	16,653,181	8,194,122	14,680,198	44,831,213
	4,867,371,800	6,572,432,563	3,417,321,301	1,554,768,699	16,411,894,363

37.2.4 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 2019	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	Other Financial Assets	Financial Assets - Fair Value through Other Comprehensive Income
Agriculture	-	-	40,165,560	5,974,981,633	11,698,771	-
Construction	-	-	94,555,644	1,085,023,164	1,947,540	-
Conversion Category - Undefined	-	-	-	2,017,644	-	-
Industry & Manufacture	-	-	105,526,835	291,333,430	259,266	-
Services	-	-	708,588,984	18,194,803,034	25,258,092	-
Tourism	-	-	34,254,028	195,985,001	247,118	-
Trading	-		1,783,087,357	1,953,512,127	2,959,507	-
Transport	-	-	38,697,626	5,570,618,172	8,152,352	-
Bank & Finance	360,674,538	2,719,361,504	-	-	-	-
Government	-	-	-	-	-	233,184,922
Others	-	-	271,832	5,669,996	29,479,490	-
Less: allowance for impairment	-	(868,331)	(192,363,731)	(546,763,595)	(1,023,901)	-
Total	360,674,538	2,718,493,173	2,612,784,135	32,727,180,606	78,978,234	233,184,922

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37. RISK MANAGEMENT (Contd...)

37.2.3 Credit Quality by class of Financial Assets

As at 31 March 2019

	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	
Assets				
Cash and Bank Balances	360,674,538	-	-	360,674,538
Deposits with Licensed Commercial Banks	2,718,493,173	-	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	2,288,174,113	442,718,440	74,255,314	2,805,147,867
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	16,680,162,644	16,593,688,903	92,655	33,273,944,202
Other Financial Assets	29,456,244	50,367,379	178,512	80,002,134
Financial Assets - Fair Value through Other Comprehensive Income	233,184,922	-	-	233,184,922
Total	22,310,145,634	17,086,774,720	74,526,479	39,471,446,837

* 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				
	Less than 30 2019	31 to 60 days 2019	61 to 90 days 2019	More than 91 2019	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets at amortised cost - Loans and Advances	189,470,768	43,915,136	28,953,677	180,378,859	442,718,440
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	8,411,910,512	4,696,885,246	2,017,766,109	1,467,127,036	16,593,688,903
Other Financial Assets	17,830,533	7,539,433	4,158,532	20,838,878	50,367,379
	8,619,211,813	4,748,339,815	2,050,878,318	1,668,344,774	17,086,774,721

As at 31 March 2018

	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Bank Balances	319,211,224	-	-	319,211,224
Deposits with Licensed Commercial Banks	2,870,148,270	-	-	2,870,148,270
Loans and Advances	1,575,808,712	287,516,565	81,398,682	1,944,723,959
Lease Rentals Receivable & Stock Out on Hire	16,800,062,401	16,079,546,585	549,253	32,880,158,239
Other Financial Assets	75,481,129	44,831,213	72,642	120,384,984
Financial Instruments- Available for Sale	242,750,448	-	-	242,750,448
Total	21,883,462,184	16,411,894,363	82,020,578	38,377,377,124

* Collectively assessed for impairment

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37. RISK MANAGEMENT (Contd.)

37.2.3 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

	Past Due but Not Impaired				
	Less than 30 2018 Rs.	31 to 60 days 2018 Rs.	61 to 90 days 2018 Rs.	More than 91 2018 Rs.	Total Rs.
Financial Assets at amortised cost - Loans and Advances	83,074,426	80,880,043	46,667,144	76,894,952	287,516,565
Financial Assets at amortised cost - Lease Rentals Receivable & Stock	4,778,993,662	6,474,899,339	3,362,460,035	1,463,193,549	16,079,546,585
Other Financial Assets	5,303,712	16,653,181	8,194,122	14,680,198	44,831,213
	4,867,371,800	6,572,432,563	3,417,321,301	1,554,768,699	16,411,894,363

37.2.4 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 2019	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	Other Financial Assets	Financial Assets - Fair Value through Other Comprehensive Income
Agriculture	-	-	40,165,560	5,974,981,633	11,698,771	-
Construction	-	-	94,555,644	1,085,023,164	1,947,540	-
Conversion Category - Undefined	-	-	-	2,017,644	-	-
Industry & Manufacture	-	-	105,526,835	291,333,430	259,266	-
Services	-	-	708,588,984	18,194,803,034	25,258,092	-
Tourism	-	-	34,254,028	195,985,001	247,118	-
Trading	-		1,783,087,357	1,953,512,127	2,959,507	-
Transport	-	-	38,697,626	5,570,618,172	8,152,352	-
Bank & Finance	360,674,538	2,719,361,504	-	-	-	-
Government	-	-	-	-	-	233,184,922
Others	-	-	271,832	5,669,997	29,479,487	-
Less: allowance for impairment	-	(868,331)	(192,363,732)	(546,763,595)	(1,023,900)	-
Total	360,674,538	2,718,493,173	2,612,784,135	32,727,180,607	78,978,234	233,184,922

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37. RISK MANAGEMENT (Contd...)

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

As at 2018	Cash and Bank Balances	Deposits with Licensed Commercial *Banks*	Loans and Advances	Lease Rentals Receivable & Stock Out on *Hire*	Other Financial Assets	Financial Instruments-Available for Sale
Agriculture	-	-	52,430,603	6,886,860,307	11,314,242	-
Construction	-	-	59,781,365	797,858,250	1,239,457	-
Conversion Category - Undefined	-	-	-	580,597	-	-
Industry & Manufacture	-	-	62,446,639	179,580,414	206,821	-
Services	-	-	509,391,393	17,204,314,806	26,209,564	-
Tourism	-	-	29,698,257	109,216,627	143,582	-
Trading	-		1,184,521,876	1,563,320,354	65,784,760	-
Transport	-	-	45,658,993	6,130,442,338	7,609,237	-
Bank & Finance	319,211,224	2,870,148,270	-	-	-	-
Government	-	-	-	-	-	242,750,448
Others	-	-	794,832	7,984,547	7,877,320	-
Less: allowance for impairment	-	-	(116,711,445)	(98,725,357)	(210,941)	-
Total	319,211,224	2,870,148,270	1,828,012,513	32,781,432,883	120,174,042	242,750,448

37.3 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.

• [illegible] to Borrowing ratio in order to maintain gearing at the desired levels

37. RISK MANAGEMENT (contd...)

37.3.1 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 - 2019	+1/ (-1)	(224)/ 224	(224)/ 224
Long Term Loans linked to AWPLR - 2018	+1/ (-1)	(246)/ 246	(246)/ 246

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 91.81% of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or loss and to Equity.

37.3.2 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 2019	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	4,707,982	-	-	-	-	355,966,556	360,674,538
Deposits with Licensed Commercial Banks	679,147,648	2,039,345,525	-	-	-	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	1,181,738,179	834,244,571	504,021,229	91,607,794	1,172,362	-	2,612,784,135
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,887,188,871	8,963,041,138	15,220,955,759	3,515,707,573	140,287,265	-	32,727,180,606
Other Financial Assets	49,521,989	-	-	-	-	29,456,245	78,978,234
Financial Assets at Fair Value through Other Comprehensive Income	48,679,406	54,286,318	104,721,640	25,302,858	-	194,700	233,184,922
Total Liabilities	6,850,984,075	11,890,917,552	15,829,698,628	3,632,618,225	141,459,627	385,617,501	38,731,295,608

37. RISK MANAGEMENT (contd...)

37.3.2 Interest rate Risk (Contd…)

As at 31 March 2019	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	363,828,670	-	-	-	-	-	363,828,670
Debt Instruments Issued and Other Borrowed Funds	22,229,707,079	-	93,015,910	1,893,631,251	-	-	24,216,354,239
Other Financial Liabilities	-	-		-	-	1,432,721,107	1,432,721,107
Total Liabilities	22,593,535,749	-	93,015,910	1,893,631,251	-	1,432,721,107	26,012,904,016
Total Interest Sensitivity Gap	(15,742,551,672)	11,890,917,551	15,736,682,719	1,738,986,975	141,459,628	(1,047,103,606)	12,718,391,593

As at 31 March 2018	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	1,834,581	-	-	-	-	317,376,643	319,211,224
Deposits with Licensed Commercial Banks	9,641,096	2,860,507,174	-	-	-	-	2,870,148,270
Loans and Advances	846,832,092	671,678,470	255,501,499	53,917,950	82,502	-	1,828,012,513
Lease Rentals Receivable & Stock Out on Hire	4,794,251,361	9,221,500,040	15,307,912,532	3,333,778,273	123,990,677	-	32,781,432,883
Other Financial Assets	44,692,913	-	-	-	-	75,481,129	120,174,042
Financial Instruments- Available for Sale	4,793,658	11,499,761	114,323,908	111,938,421	-	194,700	242,750,448
Total Liabilities	5,702,045,701	12,765,185,445	15,677,737,939	3,499,634,644	124,073,179	393,052,472	38,161,729,380
Liabilities							
Bank Overdraft	911,107,393	-	-	-	-	-	911,107,393
Debt Instruments Issued and Other Borrowed Funds	24,007,540,553	-	-	-	-	-	24,007,540,553
Other Financial Liabilities	-	-	-	-	-	1,495,851,080	1,495,851,080
Total Liabilities	24,918,647,946	-	-	-	-	1,495,851,080	26,414,499,026
Total Interest Sensitivity Gap	(19,216,602,245)	12,765,185,445	15,677,737,939	3,499,634,644	124,073,179	(1,102,798,608)	11,747,230,354

37. RISK MANAGEMENT (contd...)

37.4 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.

37.4.1 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 2019, the Company maintained Statutory Liquid Asset ratio at 12.13%. (As at 2018- 14.11%)

37.4.2 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 2019	**Up to 03 *Months***	**03-12 Months**	**01-03 Years**	**03-05 Years**	**Over 05 Years**	**Total**
Assets						
Cash and Bank Balances	360,674,538	-	-	-	-	360,674,538
Deposits with Licensed Commercial Banks	755,300,824	2,070,208,767	-	-	-	2,825,509,591
Financial Assets at amortised cost - Loans and Advances	1,282,692,493	995,796,815	624,875,021	107,081,560	1,228,388	3,011,674,277
Financial Assets at amortised cost - Lease *Rentals Receivable &* Stock Out on Hire	6,856,788,193	13,538,801,845	20,331,575,246	4,113,651,072	155,560,797	44,996,377,153
Other Financial Assets	77,953,384	50,000	974,850	-	-	78,978,234
Financial Assets - Fair Value through Other *Comprehensive Income*	48,720,822	56,067,663	111,058,795	24,440,482	194,700	240,482,462
Total Financial Assets	9,382,130,254	16,660,925,090	21,068,483,912	4,245,173,114	156,983,885	51,513,696,255
Liabilities						
Bank Overdraft	363,828,670	-	-	-	-	363,828,670
Debt Instruments Issued and Other Borrowed	11,318,239,585	4,418,474,638	8,856,353,956	3,284,241,781	-	27,877,309,960
Other Financial Liabilities	1,432,721,107	-	-	-	-	1,432,721,107
Total Financial Liabilities	13,114,789,362	4,418,474,638	8,856,353,956	3,284,241,781	-	29,673,859,737

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37. RISK MANAGEMENT (contd...)

As at 31 March 2018	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
Assets						
Cash and Bank Balances	319,211,224	-	-	-	-	319,211,224
Deposits with Licensed Commercial Banks	67,487,671	2,976,126,356	-	-	-	3,043,614,027
Loans and Advances	920,618,994	767,876,296	319,053,366	61,613,888	85,001	2,069,247,545
Lease Rentals Receivable & Stock Out on Hire	6,699,494,639	13,701,258,401	20,044,704,314	3,846,691,546	135,509,853	44,427,658,753
Other Financial Assets	119,599,192	-	574,850	-	-	120,174,042
Financial Instruments- Available for Sale	4,793,658	11,665,758	121,954,955	117,089,051	194,700	255,698,122
Total Financial Assets	8,131,205,378	17,456,926,811	20,486,287,485	4,025,394,485	135,789,554	50,235,603,713
Liabilities						
Bank Overdraft	911,107,393	-	-	-	-	911,107,393
Debt Instruments Issued and Other Borrowed Funds	9,121,073,318	6,072,581,146	11,353,117,380		-	26,546,771,844
Other Financial Liabilities	1,495,851,080	-	-	-	-	1,495,851,080
Total Financial Liabilities	11,528,031,791	6,072,581,146	11,353,117,380	-	-	28,953,730,317

37.5 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.

38. 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.

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.

39. COMMITMENT AND CONTINGENT LIABILITIES

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

39.2 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.

39.2.1 Operating Lease Commitments - As the Lessee	2019 Rs.	2018 Rs.
Less than 1 year	99,017,522	49,643,613
01 - 05 years	119,436,226	103,861,742
Total	218,453,748	153,505,355

39.2.2 Un - Utilised Facilities	2019 Rs.	2018 Rs.
Margin trading	41,521,796	55,714,223
Total Commitment	259,975,544	209,219,578

40. 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 has approved interim dividend of Rs. 0.83 per share for the year of 2018/2019, on 04 March 2019. This dividend has been recognized as liability as at 31 March 2019. In compliance with Finance Companies Guideline No. 1 of 2013, the Company has obtained the approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the proposed dividend on April 29, 2019.

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