

Facing the Challenges Together

Asia Asset Finance PLC | Annual Report 2019/20





Facing the **Challenges Together**

In the face of unprecedeted challenges in the local and global fronts, we at Asia Asset Finance stand strong with resilience to face the future with confidence. Powered by the support of our parent company, Muthoot Finance we hope to move ahead specialising in focussed areas of expertise leveraging our strengths.

As the way ahead unfolds itself, we strongly believe in moving together in tandem with the new developments. We are confident that together we can conquer and rise above with confidence.

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Integrated Risk Management Report

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Financial Information

Snapshot of the Year 2019/20

Owing to uncertain business conditions beginning with the Easter attack and finishing with the Coronavirus pandemic effect on the overall sector, the year was difficult and the overall economic decline was mostly due to high-interest rates, national currency rate depreciation and adjustments in tax rates. In the year ended 31 March 2020, the Business demonstrated resilient results in terms of asset development, credit risk management and the preservation of healthy capital resources with the strong growth rate. During the year, AAF PLC succeeded in maintaining a growth trend in loan disbursements. However, the company's net interest income grew at a slower pace because of the unfavourable market conditions. In the year 2019/2020, fixed expenses rose dramatically from the previous financial year, largely due to market growth. In the reporting year, the company's earnings after tax fell relative to the previous year. In line with our financial objectives for the period under review, which was to encourage deposits and other borrowings of the Company, an accelerated growth was reported in terms of deposits and borrowings. During the financial year ended 31 March 2020, we have also retained stable capital and liquidity positions. In the reporting period, the organization has ensured that optimum allocation to our respected stakeholders is sustained in the context of dividends, compensation and rewards, community and environmental support.

About us

Asia Asset Finance PLC is a fully owned subsidiary of Muthoot Finance Ltd and a fully licensed, deposit-taking institution registered with the Central Bank of Sri Lanka

The company formerly known as Finance and Land Sales has been in operation for over 35 years, evolving to serve the growing needs of our community. A positive approach, sterling business ethics and the support of our loyal customers have ensured stability and longevity of the business.

The main lines of business are to accept public deposits, to provide finance leasing, hire purchase, and asset-backed financing to both individuals and corporations. The company believes in providing such services efficiently and accurately to support our clients in achieving their goals.

Goal

"To become a premier finance company in Sri Lanka."

Vision

"Empowering people transforming lives."

Mission

Towards the Customers

The solutions we provide for our customers financial needs would be unconventional, innovative and relevant for their needs to improve their quality of life whilst maintaining superior levels of customer service which would go well beyond their expectations.

Towards the Shareholders

Build shareholder value and provide substantial shareholder returns through relentlessly improving our performance and operations with sustainable effective strategies.

Towards our Family of Employees

A Company that fosters and harnesses equality amongst employees along with personnel development and to create the perfect work-life balance in the organization.

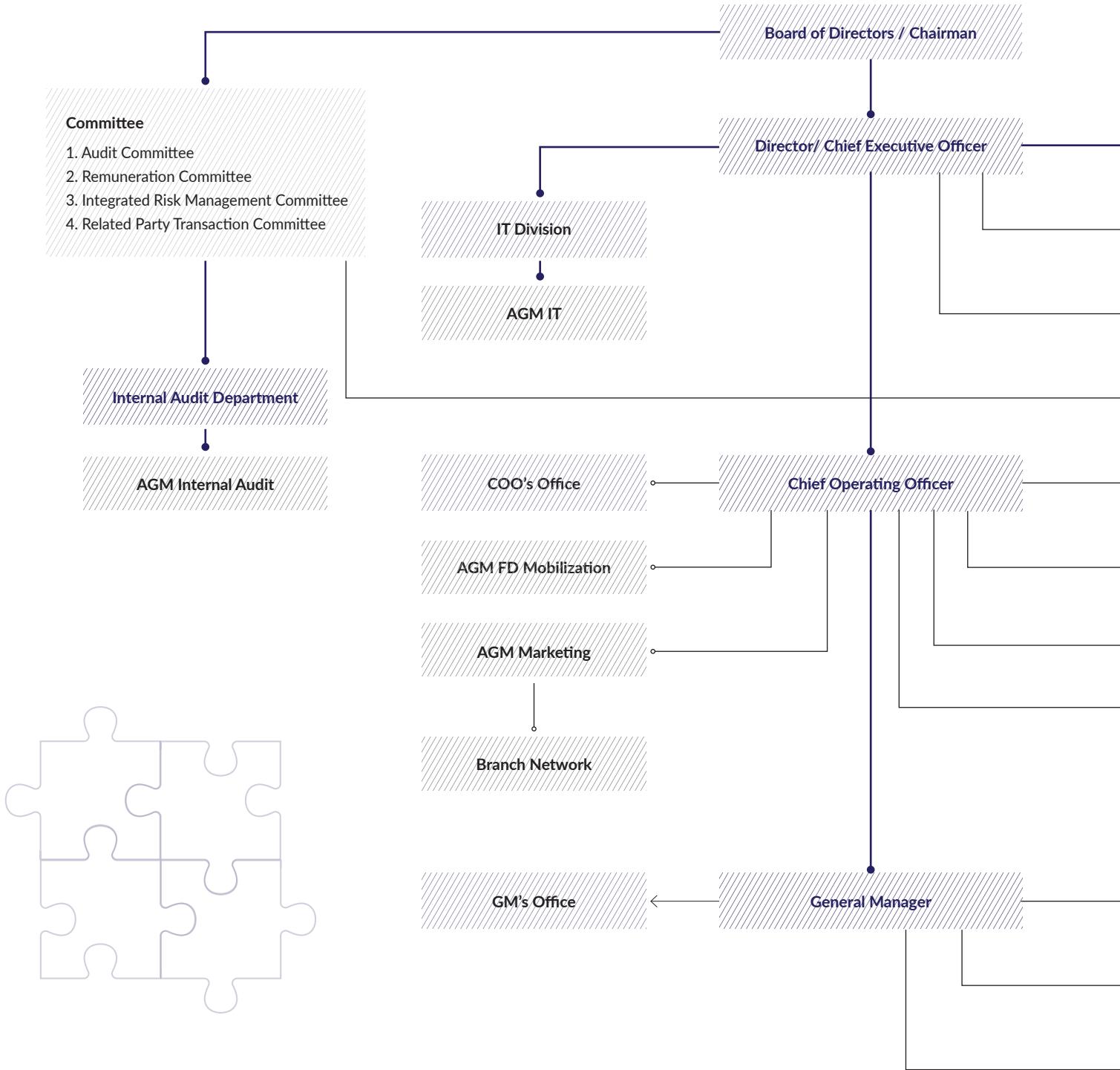
Towards Society

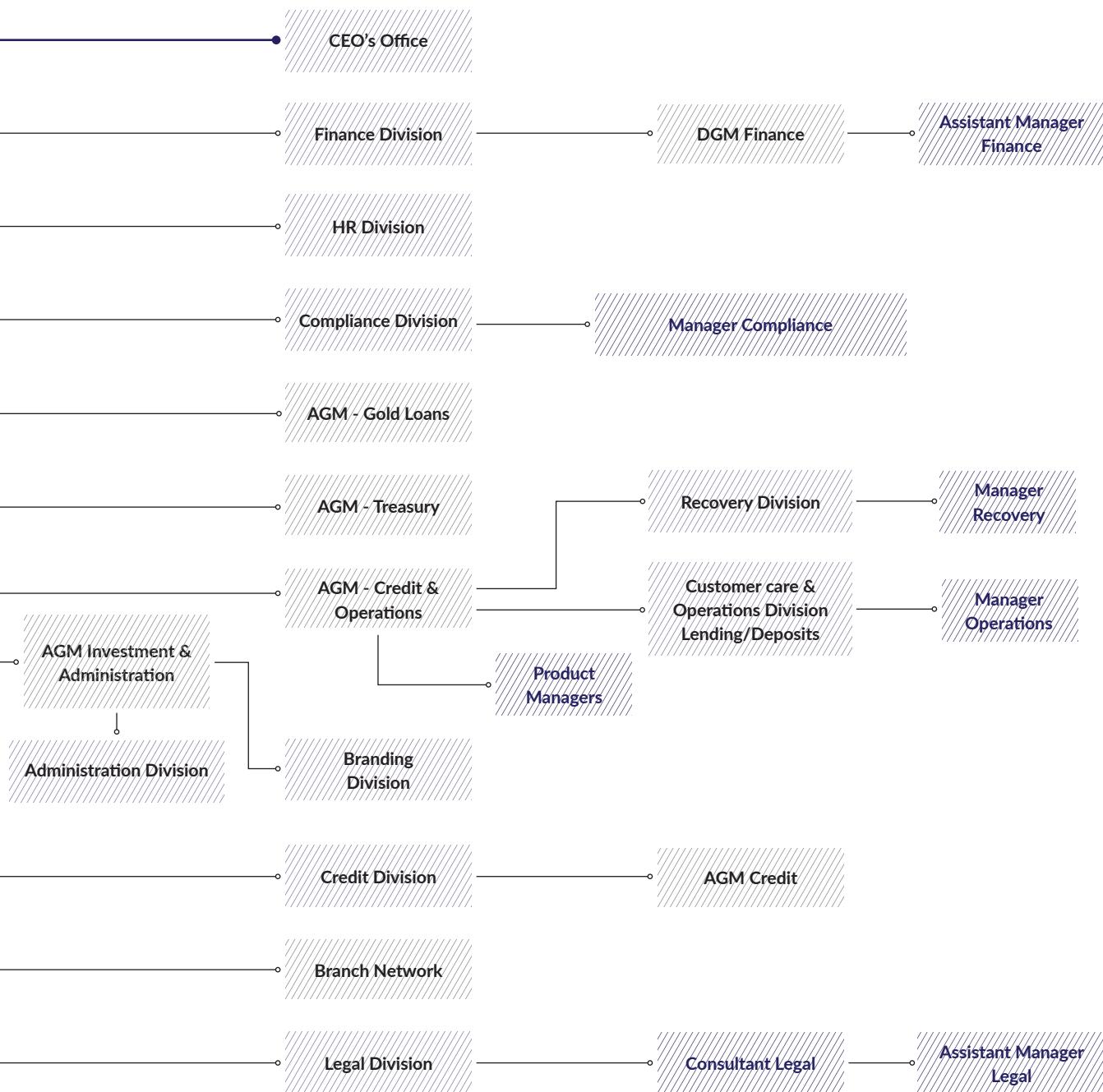
To be an ethical financial service provider, promoting the betterment of the societies we work and live in while maintaining transparent financial records and practices. We aim to provide financial solutions to all segments in our society and eliminate financial exclusion in our society.

Towards the Values of our Company

- Honesty and Integrity
- Flexibility
- Innovation
- Passion for Excellence
- People Oriented
- Genuine Concern for the Client

Organizational Chart as of 31.03.2020

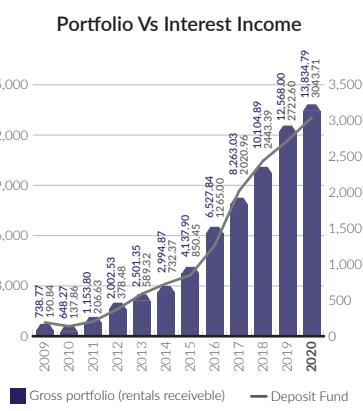
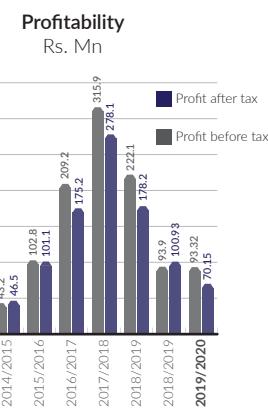
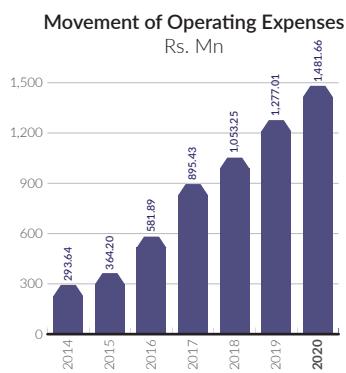
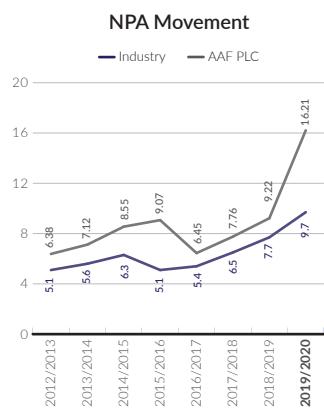
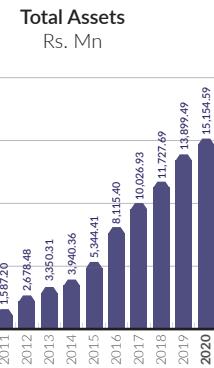
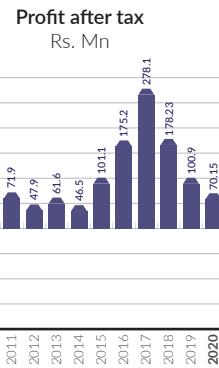
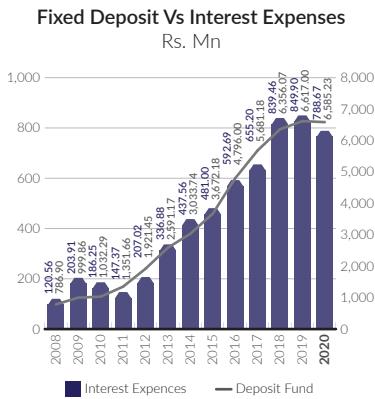




Financial Highlights

Key Performance Indicators

	2019/2020	2018/2019	2017/2018	% Change
Finance Performance(Rs Mn)				
Gross Revenue	3,043.71	2722.6	2,443	11.79
Net Interest Income	1,339.47	1289.2	1,210	3.90
Profit Before Tax	93.32	93.9	222	(0.62)
Taxation	(23.16)	7.02	44	(429.96)
Profit After Tax	70.15	100.93	178	(30.49)
Position as at the year end (Rs.Mn)				
Cash and Cash Equivalents	511.94	643.70	660.00	(20.47)
Loans and Receivables	12,639.54	11,555.60	9,529.00	9.38
Total assets	15,154.59	13,899.49	11,727.00	9.03
Fixed Deposit	6,585.23	6,617.34	6,356.07	(0.49)
Profitability Perspective				
Operating Profit	70.15	100.93	178.00	
Financial ratios (%)				
Net Interest Margin	10.15	11.37	15.12	
Return on Assets (ROA)	0.46	0.73	2.77	
Equity Holders				
Earnings per share(Rs)	0.57	0.94	0.21	
Net Asset Value per share (Rs.)	17.50	18.18	2.22	
Price to book value (Times)	9.73	8.94	6.19	
Return on equity (%)	3.23	5.17	9.59	
Earning yield%	10.28	11.19	16.15	
Debt Holders				
Debt to Equity ratio (Times)	5.84	5.93	5.03	
Interest Cover (Times)	1.09	1.11	1.18	
Statutory Ratio				
Tier 1 (Minimum requirement 5%)	16.15	19.16	19.81	
Statutory liquidity ratio (Times)	11.82	15.05	17.89	
Non Performing Ratio	16.21	9.22	7.76	



Our Leadership



Group Managing Director's Message

"The Company had embarked on a business expansion programme with focus on Gold loan to position AAF as number one Gold Loan Company of the country ..."

Financial Year 2019-20 has been a challenging year for the Country marred by the Easter Sunday attacks and the outbreak of COVID19 pandemic and resultant drastic fall in demand for Sri Lanka's exports, total collapse of tourism industry, rapid fall in inward remittance etc.

Despite all odds the Company registered an AUM growth of LKR 1083.51 million and registered Net profit of LKR 70.15 million during the current FY. The company continued diversification of its business model with shift from unsecured loans to secured retail loans to strengthen asset quality and stable growth with focus on gold loan business this FY also.

The year witnessed 50.94% increase in Mortgage loans, 57.98% growth in Gold loan whereas the unsecured loan portfolios of Personal loans and Micro loans have been brought down by 4% and 29.79% respectively. The Company has opened 6 new branches during the FY taking the total number of branches to 30 apart from 2 service Centres.

The Company had embarked on a business expansion programme with focus on Gold loan to position AAF as number one Gold Loan Company of the country during the golden Jubilee year with support of parent Company. The Muthoot Group has been parenting and nurturing AAF since its association in 2015 and we are committed to stand by the Company for facing all the challenges it may encounter whether it be further Capital or technology upgradation.

I congratulate the Asia Asset Finance Management team and wish all success in their goal of becoming the premier Finance Company in Sri Lanka.



George Alexander Muthoot
Managing Director
Muthoot Finance Ltd





Chairman's Review

"Despite all these macro problems we were able to maintain our BBB+ rating given by Rating Agency ICRA originally in December 2016 due to other positive factors such the strength of Muthoot Finance behind us."

It is with pleasure that I invite you to the 09th Annual General Meeting of Asia Asset Finance PLC and present to you the Annual Report of the Company containing the financial statements for the year 2019/20. Our Company was originally Finance and Land Sales, with a history dating back to 1970. A significant milestone of the Company was when Muthoot Finance Company, the leading Non Banking Institute in India purchased the majority Shareholding of Asia Asset Finance in late 2014.

The Company faced another most challenging year as the net profit of the Company decreased by 33 % compared to the previous year. This was due to the economic impact of the Easter Sunday bombings in April 2019, and political and economic uncertainty for most of the year. In addition, the depreciating rupee, political instability in the first part of the year, subdued investments, and inclement weather—all of which resulted in a significantly lower disposable income among our customer base and the general population and of course the Covid pandemic in March 2020 which resulted in a nationwide lockdown from 20th March

2020. Operating in a volatile environment becomes even more challenging given the fact that our customers are the first to be affected in an economic downturn.

The country's GDP growth was 2.3 % compared to 3.2% in the previous year. The services sector was the hardest hit with growth decreasing from 4.6 % to 2.6 %. and manufacturing increased from 1.2 % to 2.7 %, while agriculture showed modest growth.

Our loan loss provisioning increased by 7 % over that of the previous year compared to the sector increase from 8% to 11%. An increase of 37%. We have been very prudent in our provisioning over the past 4 years so as to minimise large hits in future years. Our prudent provisioning was to enhance the quality of the Asset Base and also due to increasing Non Performing loans due to the economic conditions.

Despite all these macro problems we were able to maintain our BBB+ rating given by Rating Agency ICRA originally in December 2016 due to other positive factors such the strength of Muthoot Finance behind us.

Portfolio growth was 9.4 % compared to 24% last year. The sector growth also declined due to fiscal and macro prudential policy measures taken to curtail importation of motor vehicles and lending for vehicles, adverse weather conditions and other factors that impacted economic activities.

Net interest income declined from 47.3 % to 44.0% due to the Easter Sunday bombing moratorium and changes to the product mix since we decided to move away from high interest yielding sectors like Micro Finance due to recovery issues. This compares favorably with the sector net interest income of 47.88% (2020). The Gold loan portfolio increased by 58% (54% in 18/19) and Leases decreased by 9% (increase of 79% in 18/19) due to market conditions. Portfolio quality was pressurized during the year, partly due to the moderating economic conditions. As a result the gross Non Performing Loans ratio increased to 17.29 % from 9.22 % the year before. NPAs net of provisioning increased from 1.78 % to 5.85%.

The Company's deposit base fell by 0.5% during the year as we did not pursue deposits aggressively as we found that securitisations and bank borrowings were more stable where cash flows were concerned. We are dependent on Customer deposits for 51% of our borrowings compared to the sector being at 52%. The Company's Capital Adequacy Ratio is well above the Central Bank's minimum requirements.

We opened 4 branches during the year bringing our island wide network to 30. These branches have spread our geographical risk. The Asset base of the Company grew by 9 %. The Company's performance should be set out in the context of the prevailing operating environment.

The CBSL has been continuously reducing the interest rates that NBFIs could give on their deposits. This has resulted in outflows to banks as the differential between the NIFI FD rate and a Bank FD rate is only about 0.5%.

Since the Balance Sheet date the Debt moratorium has been granted to 15,933 customers with a granted portfolio of Rs 793 Mn.

The company has a significant geographical scope for growth and market development. Our parent Company has 4500 branches in India. The potential for greater market penetration is present and market development provides great growth potential in the future.

However, due to the prevailing circumstances our focus for the next year is to continue with the strengthening of our core competencies, consolidate our position in the market and continue to reduce our exposure in certain segments which are more subject to risk. Our secured portfolio has increased from 68% in March 2019 to 75 % in March 2020 due to this change in policy. The Company has shed some of its old products and hope to enter into new innovative areas of activity and to continuously balance and reinvigorate the product line.

For the purpose of continued growth, equity finance is available from our majority shareholder, who is the largest Non-Banking Financial Institution in India.

We see the future of AAF to being the largest Gold loan company in Sri Lanka. The Net Asset Value as at the end of the Financial Year was Rs. 2,171,452,813/- which amounts to Rs.17.50 per share. The Company was

trading at only Rs.7.00 to 8.00 per share as at the time of writing, which is disappointing.

It is the intention of the management to further tighten the provisioning policy during the coming years. During the course of the year the Treasury Department took further steps to diversify the funding sources of AAF. Over the last four years AAF has moved away from exclusively being financed, by depositors funds to a combination of bank funding and Securitization. It has obtained funding lines with a number of local private banks operating in the country.

In conclusion, I wish to take this opportunity to place on record my appreciation for the commitment and hard work done by the Asia Asset team, under the able leadership of the CEO Rajiv Gunawardena who worked under very trying circumstances and also my fellow members of the Board for supporting me during the current year.

I wish to also thank the members of the Board from the Parent Company, Muthoot Group, and in particular Mr. George Alexander Muthoot, Managing Director of Muthoot Group, who counselled us with his cautious, well thought out wise and perceptive comments. I also thank our Shareholders and other stakeholders for the continued trust and confidence placed in me.



Chandrakumar Ramachandra
Chairman



Chief Executive Officer's Message

"Asia Asset Finance PLC a 50-year-old finance company has withered many storms in order to reach and become one of the most recognised financial institutions in Sri Lanka. The Challenges which we are facing will only make us a stronger more robust financial solution partner for all our valued stakeholders."

The financial year of 2019/20 was an exceptionally challenging period of time, not only for the Financial Services industry, but also for industries across the economy. As a nation, we weathered a period of immense hardships and continue to brave the consequences of a global pandemic. Amidst the harsh reality, the Company remained resilient maintaining profitability – ensuring that we make the best of the situation.

Heeding the uncertainties of the operating environment, Asia Asset Finance PLC [AAF] took a rather cautious approach to expediting our plans for the year. The core focus of the company during the period under review was to strengthen the secured loan portfolio of the company and to grow its gold loan financing portfolio. The company was successful in achieving the same. Furthermore, the company expanded its reach to better cater to its growing customer base and to mitigate our geographical risk. However, despite meeting the objective of strengthening the balance sheet and risk mitigation objectives,

the company fell short of its goal to reach its profitability target. This was caused by the Global pandemic which resulted in a complete lock down in the country in the final quarter of the financial year.

Asia Asset Finance PLC a 50-year-old finance company has withered many storms in order to reach and become one of the most recognised financial institutions in Sri Lanka. The Challenges which we are facing will only make us a stronger more robust financial solution partner for all our valued stakeholders.

Macroeconomic and Sector Review

The Easter Sunday attacks of April 2019 cast uncertainty on the nation, on multiple levels. While the cost of human lives and carnage remains incomprehensible even to this day, the impact of the bombings on the economy of the country continued across 2019. As a result, the Government took measures to protect the economy, including those taken to support the tourism and hotel industry that resulted in a domino effect affecting business sectors. Thereby affecting the overall momentum of the financial sector.

The finance sector was one of the main recipients of economic volatility caused due to various factors, the industry experienced negative credit growth, depleting cashflow and increasing NPLs. The subdued momentum of the sector resulted from weakened investor sentiments, political uncertainty and sluggish economic activities, amidst concerns of national security as a result of the bombings.

However, despite the challenges faced due to Macroeconomic conditions, AAF maintained healthy capital levels and sufficient liquidity buffers, above industry levels.

Lending showed regression due to loss of business confidence in the industry this was further fuelled due to uncertain economic and political volatility during the year. Finance leases, secured loans and advances, and hire purchase product categories underwent contractions. The Gold loans however continued to show growth in the industry.

As 2019 came to an end, 2020 opened with an unprecedented crisis - the COVID-19 pandemic. The nation-wide lockdown imposed for six weeks from March 17th had a severe impact on businesses and individuals – resulting in a nation-wide standstill of trade and commerce. At the time of penning this message, Sri Lanka is undergoing the second wave of the pandemic, with Colombo identified as a hotbed for the virus. The SL economy is forecasted by CBSL to contract by 1.7 per cent in 2020 with a rebound in 2021.

Company Performance Review

Despite having one of the most challenging financial years to date, the management took the opportunity to strengthen its

fundamentals and operational structure, during the year under the review the company shifted to secured lending only policy, further strengthened the opened 04 branches with the sole focus of expanding our gold loan product and ensured a transparent corporate governance structure is in place for the future growth and development of the company.

During the period under discussion, Loans and Receivables portfolio of the Company exceeded the previous year's mark of Rs. 12.57 Bn, reaching Rs. 13.83 Bn. with Gold Loans contributing to the growth in the loan portfolio with an increase of 58%.

The company increased its share of secured lending with the growth in Gold Loans. As a result, the asset quality of the company improved with the secured portfolio of AAF increasing to 74.9% from a previous 67.5%. Gold Loans increased by 58 per cent, while the total loan base increased by 10 per cent in the period under review. The highlight in our growth of our loan base was the fact our entire portfolio growth was due to asset backed secured lending.

A Conscious decision was made to reduce the overall exposure to the leasing portfolio as part of our overall strategy due to volatile and highly sensitive strict regulatory changes and import restrictions, where the price stability and sustainability of the portfolio has become extremely challenging in the year under review as a result the leasing portfolio was reduced to Rs. 3,982 Mn. A reduction of 2.85%

Furthermore, as part of the newly aligned strategy of streamlining our operations Micro Finance, SME Loans and Group Personal loans which played a vital role

in the past has been suspended and the company have taken steps to reduce the overall exposure to the said products. In 2018/19 AAF's microfinance portfolio stood at Rs. 1.11 Bn., which had provided financial inclusion to 40,000 individuals across 200 villages – enabling them to realise their economic objectives. In 2019/20 the Micro-Finance based loan portfolio reduced to Rs. 783 Mn. A reduction of 29.8% as a result of the said discontinuation. The Economic turmoil has taken its toll on the SME and Micro Finance sector as a result during the year under review the company witnessed a significant increase in the impairment 18.1% and deterioration of the asset quality of the said portfolio. However, the company continues to assist and support this segment to ensure the revival of their livelihoods and to normalcy during these challenging periods.

Despite the reduction of the above portfolios, the company ensured that growth of the overall loan portfolio continued with the expansion of our gold financing portfolio. Gold loan product has now reached its 6-year maturity and witnessed significant performance during the year, the product reported a growth of 58% and continued to provide healthy returns to safeguard and improve the performance of the company. The synergies and the expertise of the parent company Muthoot finance has ensured that Asia Asset Finance PLC holds Number one Gold loan brand in the country. This product will ensure that AAF continues service much needed people of Sri Lanka with a trustworthy and efficient product to ensure the development of our Sri Lankan people.

Chief Executive Officer's Message contd.

The following table depicts the transition of our Product mix during the last 5 years.

Product	2020	2019	2018	2017	2016
Lease rental Receivable	3,982,071,675	4,241,856,650	2,221,631,846	1,263,638,484	1,317,971,719
Hire Purchase	32,741,765	33,402,200	58,857,376	161,041,338	384,447,534
Mortgage Loans	1,614,042,596	1,069,343,238	414,210,707	441,082,523	556,733,047
Pledge loans	458,818,439	488,631,357	388,141,349	357,993,323	329,214,112
Personal and corporate Loans	1,915,381,361	1,994,581,447	2,430,573,313	2,302,368,522	1,637,545,052
Consumer Loans	-	-	-	-	9,390,414
Group personal loans	651,155,230	795,018,850	924,703,569	994,822,902	827,683,416
Cheque and invoice discounting	11,810,283	11,778,093	49,648,932	66,072,956	60,229,464
Micro finance loans	782,987,172	1,115,196,074	1,640,927,931	1,646,640,262	757,648,012
Sale and lease back loans	1,000,000	1,000,001	1,000,001	10,001,001	1,000,001
Project financing loan	115,072,724	115,052,685	116,140,599	118,751,261	92,876,932
Gold Loan	4,269,713,156	2,702,639,260	1,757,356,525	1,188,284,906	694,875,023
Grand Total	13,834,794,402	12,568,499,855	10,003,192,148	8,550,697,478	6,669,614,726

In addition to the above lending products AAF continued to diversify its funding portfolio. During the year under review Asia Asset Finance PLC received further capital of LKR 151 Mn confirming the confidence held by our parent company Muthoot Finance. In addition, the depositors continued show it confidence in the stability and strength of Asia Asset Finance PLC.

Despite a growth in our loan base and strengthening of our asset quality, the bottom-line weakened against the corresponding FY due to the impact of COVID-19 and the Easter attack which had on the SME and Micro Finance sector customers, resulting in the increase of our impairment during the year under review. Profit before tax declined marginally to Rs. 93.32 Mn. while Profit after tax was recorded as Rs 70.15 Mn. for the period under review.

Amidst the challenging environment, the company gained Rs. 3,043.71 Mn

in Interest Income for 2019/20. This is an increase of 11.7 per cent from Rs. 2,722.66 Mn reported in 2018/19. Whilst maintaining the NIM at 9.44 per cent.

As highlighted above the weakening economic conditions had a significant impact on our discontinued products, SME and Micro Loans. As a result, the NPA of the company increased to 16.21%. Furthermore, collection-based challenges continue to pose concerns, further perturbed by the year's unprecedented adversities from Easter Sunday attacks, the uncertainty in the run-up to the presidential elections. It is safe to predict that collections will encounter further limitations, as COVID-19 and lockdowns will impede the recovery of repayments and instalments for the Company. Within this climate, NPA for the year ended 31st March 2020 increased by 16.21 per cent - moving up from a single-digit to double digits. Similarly, the impairment costs

resulted in an increase of 6.72% from the previous financial year, denting the overall profitability of the company. However the company is confident the ratios to improve with newly implemented business plan which will mainly focus on the Gold Financing, which boasts a NPA of XX and will become the single largest product of AAF in the financial year 2020/2021

The Operational costs of the company continue to show an upward tick of 16.03%, due to the increased efforts in branch expansion and management fee with regard to securitisation portfolio, steps have been taken to reduce the overhead costs and to implement cost mitigation strategies.

In 2019/20, The company continued to strengthen Equity of the Company in order to support the growing branch network which will be pivotal for the growth and development of our gold loan base.

As a result of the above activities the company continued to strengthen the overall position of the company and also improve its key ratios, mainly its capital adequacy ratio improved from 15.64% to 16.15%, giving confidence to the regulator and its stakeholders.

Focus Ahead

The economic uncertainty is expected to worsen with the second wave of COVID-19. Asia Asset Finance PLC have however taken this opportunity to revise its business plan and prepared a more robust and a time-tested business model to propel Asia Asset Finance PLC to becoming one of the strongest financial institutions in Sri Lanka.

With the advice and guidance of our parent company Muthoot Finance, the company will replicate the Muthoot Business Model which has been one of most successful finance companies in India and the most successful gold finance company in the world.

Asia Asset Finance PLC Business model will focus on the expansion of our Gold Financing and become a gold centric finance company, AAF will use this period to prepare the foundation required to grow the gold business of AAF

Asia Asset Finance PLC will also focus on the revival and the collections of our discontinued products to ensure that company continue to improve the cashflows and the asset quality of the overall product portfolio.

With the backing of our parent company, Muthoot Finance, we are confident in the

ability to face any challenges which lies ahead of us. We are confident that Asia Asset Finance PLC with every challenge will improve and adopt to become much stronger financial institution which will ensure stable returns to all stakeholders without compromising the integrity of our brand name.

Appreciations

As CEO of Asia Asset Finance PLC, I commend and thank our outgoing Chairman Mr Ramachandra, for his support and his dedication he gave during his tenure at Asia Asset Finance. I also thank the Board of Directors for their continued support and guidance, which became an impetus for resilience in the challenging operational climate of 2019/20. Their foresight has been a constant source of guidance. We welcome our new chairman Mr V A Prasanth, who has taken the helm of the board to guide and lead us to the next level of our journey.

Muthoot Finance, our parent company, their vision and the leadership of our Group Managing Director continue to add to the growth of the Company. The strategic and operational support of our group leaders continues to keep us grounded, allowing us to remain stable while focusing on reaching our objectives for growth – irrespective of the challenges.

The level of profitability, the growth in our most treasured product segment would not be possible without the dedication and hard work of our staff. They are part of a nearly five-decade-long legacy that continues to make AAF the source of

economic sustenance for thousands of Sri Lankans – across grass-root levels to the corporate sector of the nation.

I extend my gratitude to our depositors, banking and investment partners for the continued understanding and cooperation extended during the period under review. To our shareholders, our strongest pillar of strength, we are confident of your continued support, as we complete five decades of service to the nation.

Together, we will overcome the uncertainties of the future as we remain optimistic and resilient – while continuing to adapt and grow in this era of a 'New Normal'.



Rajiv Gunawardena
Director/Chief Executive Officer

Board of Directors



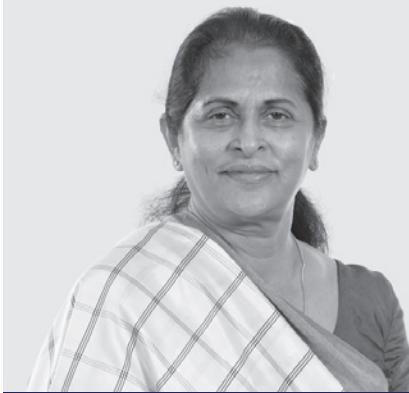
1. V. A. Prasanth - Chairman (Appointed w.e.f 2nd June 2020)



2. C. Ramachandra - Chairman (Resigned on 10th June 2020)



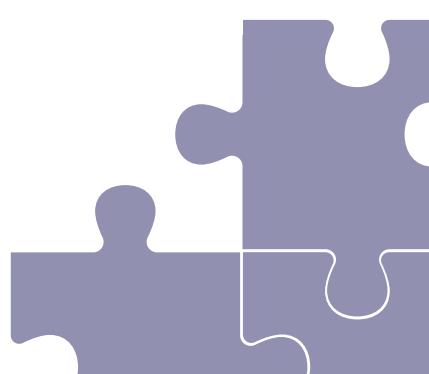
3. Rajiv Gunawardena - Director/Chief Executive Officer



4. Dayangani Priyanthi Pieris - Non-Executive Director



5. Thusitha Perera - Independent Non-Executive Director





6. George Alexander - Non-Executive Director



7. K. R. Bijimon - Non Executive Director



8. Kiran G - Non-executive Director



9. Rajitha Ananda Bandara Basnayake - Senior Independent Non-Executive Director



10. J. P. D. R. Jayasekara - Independent Non-Executive Director

Board of Directors contd.

1. V. A. Prasanth

Chairman (Appointed w.e.f 2nd June 2020)

V.A Prasanth, M.B.M; C.A.I.I.B; CRISC is a commercial banker with over 37 years of all-round exposure in Retail & Corporate banking, Treasury Operations and Information Security. Formerly he worked with Indian Bank – acclaimed as one of the best performing Public Sector Banks in India – as General Manager and Chief Information Officer. During this time, he was in-charge of Information Technology and Digital Banking. V.A Prasanth was also appointed as the Chief Financial Officer at Indian Bank, and further served as the Zonal Manager in two prominent zones of the Bank.

He has over two decades of experience in Financial Markets – Headed the Forex Dealing Room at Mumbai during 1994-1998, the Head of Singapore Treasury during 2001-2005, Head of Treasury Back Office during 2009-2011, and also the Administrator of Wealth Management Services for Indian Bank (WMS) between 2009 and 2011.

V.A Prasanth is presently associated with the Institute for Development and Research in Banking Technology (IDRBT), Hyderabad, as Senior Domain Expert. He was appointed as the Chairman of Asia Asset Finance in June 2020.

2. C. Ramachandra

Chairman (Resigned on 10th June 2020)

Mr. Ramachandra, a Fellow of the Institute of Chartered Accountants of Sri Lanka (ICASL), is presently the Competent Authority of Hotel Developers PLC, the owning company of the Colombo Hilton.

Having qualified as a Chartered Accountant in 1975, with distinction in winning two accountancy prizes, he counts forty four years experience in the fields of Accounting, Auditing, Consulting, having served as Partner of Hulugalle, Samarasinghe & Co, along and well established firm of Chartered Accountants, in public practice, as well as in Financial Services, and the Tea and Packaging Industry.

He has served in senior managerial positions in Lipton Ceylon Ltd, during which time he was seconded to the UK Head Office of Lipton, and has attended Unilever PLC Management courses in the United Kingdom, India and Malaysia. He has also served at Commercial Fund Management Ltd, Varna Ltd and Uni-Walker Packaging Ltd.

He has also served as a non executive Director of Capital Reach Finance Ltd (now Softlogic Finance) for 3 years and was on the Board of Sathosa Retail Ltd, the privatised arm of the CWE.

He also currently serves as the Chairman of N.Vaitilingam & Co (Pvt) Ltd and on the Boards of UB Finance Co Ltd, Ceylon Galvanising Industries Ltd and TinPak Ltd.

3. Rajiv Gunawardena

Director/Chief Executive Officer

Mr. Rajiv Gunawardena is the Chief Executive Officer / Director of Asia Asset Finance PLC. He was appointed to the Board in December 2009. He is responsible for setting and implementing the organization's vision and strategy and for the management of the entire organization's operations. He has a Bachelor of Science in Business and Information Systems from the United Kingdom and has completed his Masters of Professional Accounting at Monash University Australia. Prior to joining Asia Asset Finance, he has worked in the capacity of Senior Investment Analyst at Asia Capital PLC. He was a lecturer in Accounting at the Australian College of Business and Technology.

4. Dayangani Priyanthi Pieris

Non-Executive Director

Mrs. Dayangani Priyanthi Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Solicitor of England & Wales.

She counts over 39 years experience in the fields of Corporate / Securities Law. She has a wide experience in handling corporate restructuring, privatizations, capital market transactions and takeovers & mergers.

She serves on the Boards of Asia Asset Finance PLC, LOLC Finance PLC, Abans Electricals PLC, Associated Electrical Corporation Ltd, MTN Corporate Consultants (Pvt) Ltd and the Chairperson/ Consultant of PW Corporate Secretarial (Pvt) Ltd, a

company providing Secretarial and Registrars Services to a large number of companies listed on the Colombo Stock Exchange.

She served on the Boards of Forbes & Walker Ltd, Forbes Ceylon Ltd, Forbes Stock Brokers Ltd, Forbes Air Services Ltd (general sales agent for Emirates), Vanik Corporate Services Ltd, Office Network (Pvt) Ltd, Capital Reach Holdings Ltd and Associated Motorway Ltd. Mrs. Pieris served as the Legal Adviser to the Ministry of Finance from 2002 to 2004 and as Legal Consultant to the Colombo Stock Exchange from 2004 to 2011. She also serves as a member of the Committee set up by the Securities and Exchange Commission of Sri Lanka to recommend amendments to the Company Takeovers and Mergers Code1995 (as amended) and a member of the Committee, recommending amendments to the Rules on Corporate Governance.

5. Thusitha Perera

Independent Non-Executive Director

Thusitha Perera was appointed to the board of Asia Asset Finance PLC on 17th December 2013 as a Non- Executive Director.

Mr Perera started his career at Kreston Sri Lanka, correspondent firm of Grant Thornton International – Sri Lanka Division, a firm of Chartered Accountants and counts over 27 years of professional and commercial experience in the fields of auditing, finance and management consultancy both locally and internationally.

He presently serves as the Group Chief Financial Officer of Asia Capital PLC and also serves on the boards of Asia Leisure

Holdings (Pvt) Ltd, Asia Leisure Travels (Pvt) Ltd, Galle Beach CC Trust (Pvt) Ltd, Asia Tea Packaging (Pvt) Ltd, River House Estate (Pvt) Ltd, Asia Capital Technologies (Pvt) Ltd and Dickwella Hotels & Resorts (Pvt) Ltd.

Mr. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

6. George Alexander

Non-Executive Director

George Alexander has completed his Master's in Business Administration from the University of North Carolina – Kenan & Flagler Business School and has his bachelor's degree in Mechanical Engineering from the University of Kerala - TKM College of Engineering. He is currently working in his family business as the Executive Director of Muthoot Finance and takes care of operations across the states of Karnataka, Goa and Telangana in India. He has the additional responsibility of heading the global operations of The Muthoot Group in the U.S.A as well. Alongside this, he also serves on the board of three other group companies (Asia Asset Finance, Muthoot Insurance Brokers and Belstar Finance & Investments).

Muthoot Finance is an Gold Loan NBFC (Non-Banking Finance Company) and is the flagship company of The Muthoot Group. It was listed in 2011 and is traded in BSE & NSE. It is currently the largest gold loan company in the country. Apart from Muthoot Finance, The Muthoot group has 16 other divisions, such as hospitality,

health care, equity & commodity trading, insurance broking etc. The group is four generations old and George represents the fourth generation. Prior to joining his family business, he had worked for ING & Kotak Mahindra Bank in India.

Aside from work, George has served as the chair for the Confederation of Indian Industries – Young Indians Bangalore Chapter in 2015. He was the finance chair for the Entrepreneur's Organization Bangalore from 2016-2018. George was also one amongst the ten Indians chosen to represent India for the AIYD (Australia India Youth Dialogue) at Sydney and Melbourne in 2013. He is presently serving on the Board of advisors at University of North Carolina's – Kenan-Flagler Business School and on the board of XIME Business school Bangalore.

7. K. R. Bijimon

Non-Executive Director

Mr. K R Bijimon started his career as Manager (Finance) with Muthoot Bankers in the year 1996. During 24 years of his service he led the transformation of Muthoot Bankers to the present day Muthoot Finance Ltd and over the years he rose to the position of Chief General Manager of the company. Under his leadership, the company grew manifold and today has become the largest lender of Gold Loans in the country and perhaps the largest in the world too.

As Chief General Manager, he is also responsible for driving growth across the diversified business portfolios of the Group such as Money Transfer division, International Remittance & Foreign

Board of Directors contd.

Exchange, ATM division and is also responsible for expansion of business globally. Muthoot Group today has a global presence with successful businesses in countries like USA, UK, UAE, Singapore and Sri Lanka. The group is planning to start its operations in Italy shortly. Mr. Bijimon also assumes the role of Chief Operating Officer for Global Operations of the Muthoot Group. Presently, he also holds Directorship in companies like Muthoot Forex Ltd, Muthoot Securities Ltd, Muthoot Commodities Ltd, Muthoot Homefin (India) Ltd, Muthoot Royalex Services Pvt. Ltd, Belstar Investment and Finance Pvt. Ltd (subsidiary of Muthoot Finance) and Asia Asset Finance PLC (Sri Lanka). Mr. Bijimon holds a Bachelor's Degree in Law (LLB), a Bachelor's Degree in Science (BSc) and a Master's Degree in Business Administration (MBA). He is also a Fellow Member of the Institute of Chartered Accountants of India, a Certified Associate of the Indian Institute of Bankers (CAIIB) and a Fellow Member of Certified Management Accountants (FCMA), Institute of Sri Lanka.

8. Kiran G

Non-Executive Director

Kiran G presently functions as the Head of the Internal Audit & Inspection Department of Muthoot Finance Limited. He graduated from the Kerala University with a Bachelor of Science Degree in Mathematics. He is also a Chartered Accountant from the Institute of Chartered Accountants, India. He presently functions as the Head of the Internal Audit & Inspection Department, which employs a team of 1000 auditors.

He possesses over 16 years of specialist experience in auditing with expertise in operational, financial, and regulatory compliance. He has a proven track record and experience in strategic reporting on internal control to the Audit Committee, including providing expertise and advice on risk management techniques. Further, he has experience in coordinating work with risk, legal, surveillance & vigilance departments.

He provides his expertise to act as a resource person for other departments in their design, implementation and monitoring of activities across the organization.

9. Rajitha Ananda Bandara Basnayake

Senior Independent Non-Executive Director

Independent Management and ICT Consultant with 30+ years of extensive experience in ICT and Business Management providing leadership to mission critical ICT and Business Process Transformation projects enabling business strategies of a wide variety of industry sectors predominantly encompassing Financial services, Digital Entertainment ,FMCG/ consumer durables Retailing / Distribution and Food & Beverage manufacturing /Distribution, Hospitality and Information Technology solution delivery.

He brings extensive experience in Business Consultancy services as Director Advisory Services of Ernst & Young Sri Lanka providing Business Advisory and ICT Advisory solutions for mission critical private and public sector projects including ADB,UN,ICTA projects in Sri Lanka and overseas.

He currently serves on the Board of Asia Asset Finance PLC as Independent Non Executive Director and also as Chairman of Evoke International (Pvt) Ltd , leader in Digital Entertainment industry Sri Lanka . Furthermore he currently functions as Senior Management Consultant at Latex Green (Pvt) Ltd , the regional leader in Natural Latex Foam industry. His project portfolio currently includes key IT Strategy and Business Process Reengineering projects as an external consultant to key clients of Ernst & Young IT Advisory Service, Sri Lanka.

During his career he has spearheaded ICT operations of Asia Capital Group a highly diversified conglomerate into capital markets, non banking finance, insurance, digital entertainment, tea packaging, Leisure, Technology as Group Chief Information Officer and held key Senior Management positions in ICT at The Lion Brewery Ceylon Ltd as Head of Information Technology and Richard Pieris Distributors Ltd as Manager Information Systems . He counts over 20 years experience as a key member of the strategic leadership teams of these companies and Ernst & Young.

He was also a visiting lecturer for MSc in Information Technology study program conducted by Informatics Institute of Technology in collaboration with Keele University UK.

Rajitha holds a Master Degree with Distinction from Keele University UK, Executive Diploma in Business Administration with Distinction from University of Colombo and British and Australian Professional IT qualifications.

10. J. P. D. R. Jayasekara

Independent Non-Executive Director

Mr Danasiri Rupakumara Jayasekera holds a BA (Special) Degree in Economics with a second class upper division. He possesses over 33 years of progressive experience in taxation, ICT and banking and finance. He assumed office as an Assessor to the Department of Inland Revenue in 1984 and was promoted to the position of Senior Assessor in 1994. In the year 2005, he was promoted as Deputy Commissioner, Thereafter he was promoted as Commissioner and also to Senior Commissioner. Since 2015 July, he has performed duties as Senior Additional Project Director of Revenue Administration Management Information System (RAMIS) which is an IT project in order to automate the entire IRD Taxes. At the time of retirement he performed duties as Deputy Commissioner General (Information Technology) of the Department. Mr Jayasekera has gained considerable overseas exposure through training programs and international conferences attended during his career at the IRD. He had the opportunity undergo training programs in various aspects of taxation in Austria, India and UK. He has also received valued exposure in double taxation treaty negotiations through programs Conducted in Seychelles and Saudi Arabia. He has participated in strategic level forums as a delegate to conferences such as 'OECD Global Forum on VAT' held in France and the 'Fourth IMF - Japan High Level Tax Conference for Asian Countries' in Tokyo, Japan, Ministerial work shop on Blue Economy and Maritime Silk Road in China. He was one of the member of Evaluation

committee in preparation of Due Diligence Reports in respect of RAMIS project who visited to countries such as Singapore and Angola.

Mr. Jayasekera hold a member ship of APFA (Association of Public Finance Accountants of Sri Lanka) and also an active member of China Sri Lanka Society. He is also social worker holding positions and memberships in several societies and associations.

Senior Management



1. Rajiv Gunawardena

Director/Chief Executive Officer



2. Roshan De Silva Gunasekera

Chief Operating Officer



3. M. Thiruneelakandan

General Manager



4. Geethika Elwalage

Deputy General Manager - Finance



5. Mahesh Kumara

Assistant General Manager - Credit



6. Jayantha Weerapullige

Assistant General Manager - Marketing



7. Hantley Babapulle

Assistant General Manager - Investments and Administration



8. Sajith Atapattu

Assistant General Manager - Credit & Operations



9. Praveen Peiris
Assistant General Manager - Treasury



10. Samira Weveldeniya
Assistant General Manager -
Fixed Deposits



11. Sisira Mudalige
Assistant General Manager -
Gold Loans



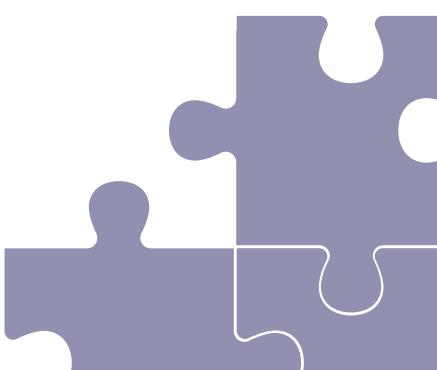
12. Inditha Jayathilaka
Assistant General Manager -
Information Technology



13. Priyantha Wijesinghe
Regional Manager



14. Suminda Hettige - Regional Manager



Senior Management

1. Rajiv Gunawardena

Director/Chief Executive Officer

Refer page 20.

2. Roshan De Silva Gunasekera

Chief Operating Officer

Mr. Gunasekera joined Asia Asset Finance PLC in April 2010. Mr. Gunasekera carries more than 26, years of post-qualifying experience in the Finance Sector having commenced his career as a Credit Officer at Commercial Leasing Company Limited in 1994. Mr. Gunasekera is a graduate from the University of Sri Jayewardenepura and holds an MBA from the University of Colombo. He is also part-qualified at Chartered Institute of Management Accountants (CIMA) UK. Mr. Gunasekera is a member of the Association for Overseas Technical Senior Management Scholarship (AOTS) - Japan and is a visiting lecturer in Financial Services Marketing at the University of Colombo - Sri Lanka.

3. M. Thiruneelakandan

General Manager

Mr. Thiruneelakandan, commenced his career in the Banking Sector in 1976. He was entrusted with positions of increasing responsibilities in line with professional Banking from Institute of Bankers, London and CIMA. He has spent most of his life in the Financial field in Banking and Non- Banking financial Institutions as Chief Foreign Exchange Dealer and Chief Financial Controller in the Corporate Sector.

He joined the AAFL plc. 16 years ago. He has more than four decades of experience and represents its interests in operational excellence at AAF plc, as General Manager. His successful tenure at AAF and his multitasking is playing a leading role in implementing the organization's policies.

He has given the following comment when asked about the AAF plc. So far. "I am pleased our journey has been remarkable, touching many lives and being a part of their growth as a trusted partner. Further strengthened with the collaboration with MUTHOOT GROUP, India. The company attracts some smart young minds with new technically skilled employees. In addition we need to empower our culture and passion to make our customer relationship successful especially with the outbreak of Covid -19 Pandemic. This will result in competitive advantage in the long run and will boost the business."

He urges "Commit yourself to whatever it takes to make it happen. Passion and dedication are a powerful combination for success"

4. Geethika Elwalage

Assistant General Manager - Finance

Geethika Elwalage has varied exposure of Over 12 years in the financial services sector. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She has additional experience of three years in the audit sector having worked at BDO Partners. Further, she holds a Master Degree in Business Administration from the University of Sri Jayawardenapura.

5. Mahesh Kumara

Assistant General Manager - Credit

Mr. Mahesh Kumara received his BBA (Accounting) Degree from the University of Colombo in 2001 while working in the industry from 1999 as an Assistant Accountant. Subsequently, throughout his career, he gained experience in key finance sectors after working in several leading.

Finance companies as a member of the Senior Management. Mr. Kumara joined Asia Asset Finance PLC in December 2009 and presently holds the position of Assistant General Manager - Credit with an industrial experience of over 19 years.

6. Jayantha Weerapullige

Assistant General Manager - Marketing

Mr. Jayantha Weerapullige joined Asia Asset Finance PLC in 2008. Currently he serves as the AGM – Marketing and he served as Senior Manager Lending for 3 years prior to being promoted as AGM. Mr. Jayantha Weerappulige holds a B.Com (Special) degree in Business Administration and MBA from University of Colombo. He counts over 20 years of working experience in Marketing, Credit & Accounts of which 16 years were spent in Finance sector and he also has the experience in banking sector in his previous employment with Peoples Merchant Bank during the period from 2003 to 2008. He holds more than 11 years of experience in the top management of Asia Asset Finance PLC. He is responsible for overseeing branch network as well as overall operations of the branches which comprises of Marketing, Credit, Administrations & Recoveries.

He is further responsible for product & business development, strategic planning & implementation.

7. Hantley Babapulle

Assistant General Manager - Investments and Administration

Mr. Hantley Babapulle has a career spanning 44 years in which he has amassed a wealth of theoretical and practical experience both locally and internationally in the Banking, Real Estate and Tea industries. It has always been his vision to be a guiding light to the younger generation by imparting his vast knowledge in the areas of fund mobilization and portfolio management, private banking, dealing in properties both residential and agricultural, while advising them in the various methods of spreading risk and accumulating assets successfully for a better and brighter future.

8. Sajith Atapattu

Assistant General Manager - Operation Product Development

Mr. Sajith Atapattu joined Asia Asset Finance in April 2010. At Asia Asset Finance Mr. Atapattu has worked with the Credit, Recovery, and Administration and Operations departments. Prior to working at Asia Asset Finance he has worked in the UK financial sector where he was involved in projects to improve financial inclusion within the non-banking population in the society. He holds a Bachelor's degree from University of Keele - UK.

9. Praveen Peiris

Assistant General Manager - Treasury

Mr. Praveen Peiris joined Asia Asset Finance PLC in January 2014 and has over 16 years of Financial and Treasury experience. He started his career at a Global Audit Firm in 2004 and joined the Non-Banking Financial Sector in 2008.

Prior to joining Asia Asset Finance PLC, he worked as Manager – Treasury in a listed finance company. He has the expertise in Treasury Management including Strategic Risk Management, Asset –Liability Management and Cash Management. He is Competent in Operational Management and has the capacity of handling financing of high-value projects. Mr. Peiris holds an MBA from the University of Wales, U.K and is a Finalist at the Chartered Institute of Management Accountants, U.K.

10. Samira Weveldeniya

Assistant General Manager - Fixed Deposits

Mr. Samira Weveldeniya joined AAF in June 2006 as the Negombo Branch Manager and was appointed to the post of Regional Manager - Fixed Deposit in 2009 followed by a subsequent appointment as the Senior Manager - Fixed Deposits in 2011. Then, again he was promoted as Assistant General Manager- Marketing in 2014. He has over 18 years of experience in Deposit Marketing in the Finance Sector and is currently working in the capacity of AGM-Fixed Deposits and contributes to the fund mobilisation and branch development of the company. Prior to joining AAF, Mr. Weveldeniya worked at the Ceylinco Development Bank where he was

awarded many times for his achievements in marketing. Mr. Weveldeniya holds a MBA from Buckinghamshire New University in UK and was conferred the Postgraduate professional status of Certified Professional Marketer- Asia (CPM - Asia) by The Asia Marketing Federation (AMF). He also an Associate Member of The Certified Management Accountants Australia (AMA-Australia). Apart from that he is also a Certified Member of Sri Lanka Institute of Marketing (SLIM). He holds the Preliminary Certificate in Marketing from the Sri Lanka Institute of Marketing and is partly qualified in Chartered Institute of Marketing (CIMUK).

11. Sisira Mudalige

Assistant General Manager - Gold Loans

Sisira Mudalige brings in diverse and a rich portfolio of experience while his skill sets include portfolio and Operation management. He began his career as the Deputy Manager at BP Airport Connect specializing and being directly involved in the central ordering system which was piloted at Airport Connect in 2009. Subsequently, he moved to Asia Asset Finance PLC, where he pioneered the development and implementation of Gold loan, a strategy in retail asset portfolio management. He was instrumental in promoting and expanding gold loan product via the entire branch network. Further he was responsible for setting up and implementing effective control procedures for gold loans. He holds a B.A. in Marketing and Finance – Keele University, Staffordshire UK (2009) and has successfully completed certificate & lower managerial levels in CIMA.

Senior Management

12. Inditha Jayathilaka

Assistant General Manager - Information Technology

Mr. Inditha Jayathilaka is the mastermind solution provider for all IT related tasks at Asia Asset Finance PLC. He has more than 12 years of experience in banking and finance solution development and implementation. He received his BSc in MIS from University college of Dublin.

Over the course of his career, he gained his experience from various sectors, ultimately specializing in the financial sector by providing mission-critical software and infrastructure solutions. Presently, he oversees the Information Technology department by proving IT-related infrastructure, software and security services.

13. Priyantha Wijesinghe

Regional Manager

Mr. Priyantha Wijesinghe joined AAF in October 2010 as a Branch Manager and he was promoted as Senior Branch Manager in 2016. Currently Mr. Wijesinghe serves as a Regional Manager of the Company. He holds over 15 years experience in the finance sector. He has commenced his carrier in 1999 as a cashier at People's Bank before entering the University. Prior to joining Asia Asset Finance PLC Mr. Wijesinghe worked at Sampath Leasing & Factoring Ltd. At the time of leaving Sampath Leasing Limited Mr. Wijesinghe was the Assistant Branch Manager-Kurunegala & Project Manager Micro Finance. He was instrumental in introducing Two Wheel Tractors to the product

portfolio of Sampath Leasing and Factoring Ltd in 2007. Mr. Wijesinghe also worked at SEEDS (GTE) Ltd as a Project Marketing Manager – EM Technology and Senior Training Officer of North Central Region till March 2005. Mr. Wijesinghe holds a B. Sc. (Special) Degree in Agriculture (Specialized in Agricultural Extension). He also holds part qualification at The Chartered Institute of Marketing (CIMUK). He is currently reading for his MBA at the Wayamba University of Sri Lanka.

14. Suminda Hettige

Regional Manager

Mr. Suminda Hettige graduated from the University of Sri Jayewardenepura in 2006 with a Bachelor of Science (Specialized in State Management and Valuation) He is currently reading for his MBA at the University of Ruhuna of Sri Lanka. Mr. Suminda Hettige Joined AAF in January 2011 as a Branch Manager and he was promoted as a Senior Branch Manager in 2015. Currently Mr. Suminda Serves as a Regional Manager of the company. He has commenced his career in 2006 at Samapth Leasing and Factoring (currently known as Siyapath Finance plc). He was Joint with Orient Finance in 2008 as a Branch Manager. He holds over 14 years' Experience in the Finance Sector.

Consultants



1. Shiranthi Gunawardena - Legal Consultant

1. Shiranthi Gunawardena

Legal Consultant

Mrs. Shiranthi Gunawardena was enrolled as an Attorney-at-Law in the year 1975. She served as a Law Officer at the People's Bank up to the year 1986 and thereafter joined Mercantile Credit Limited as the Deputy General Manager - Legal. In the year 1992, a Partnership was formed under the name Gunawardena and Ranasinghe Associates, wherein she is the senior partner and presently she is practicing under the name and style of ShiranthiGunawardena Associates. Mrs. Gunawardena is also the Legal Consultant to the Finance House Association where all registered Finance Companies are members.





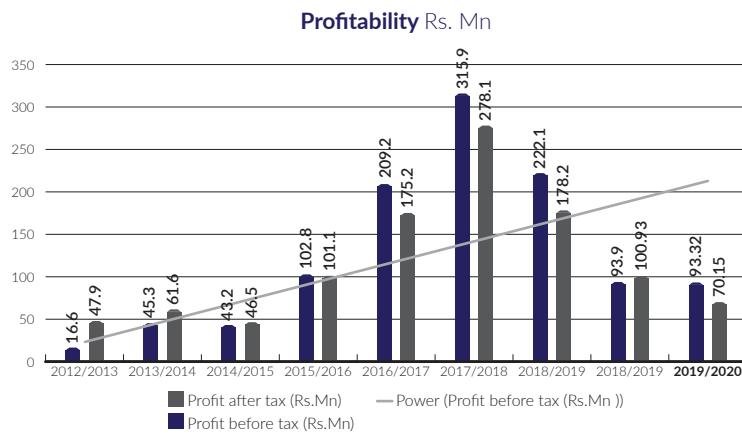
Management Discussion and Analysis

Management Discussion and Analysis



Financial Review

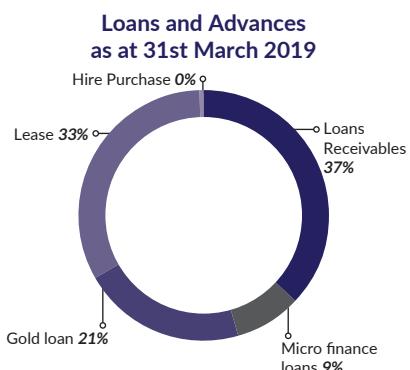
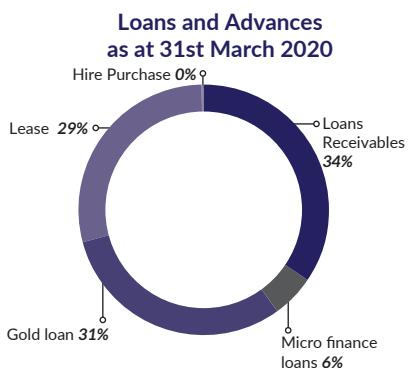
Asia Asset Finance PLC has achieved a after tax profit of Rs. 70 Mn whilst reaching Rs. 15.1 Bn of total assets. These figures were factually modified as a result of Easter Attack and subsequent economic effects and the change of government policies. The current Year (2019 / 2020) began with negative impacts created by the April 2019 Easter attacks, which had a negative impact towards the growth of tourism and other sectors of the economy and the performances of the business entities and further Covid-19 pandemic has created similar impact during the latter part of the financial year creating an undesirable results to the economy as well as to the businesses.



Loans and Receivables Portfolio

The portfolio of loans and receivables reached Rs 13.8 billion and the said portfolio grew by 10 percent (by Rs 1.26 billion) when compared to financial year 2018/2019. Gold loans product was the key contributor to the loan portfolio, where the gold loans portfolio grew by 58 percent when compared to financial year 2018/2019.

Further the company was able to shift its lending products from unsecured to secured over period of time, which reduced the overall portfolio credit risk.



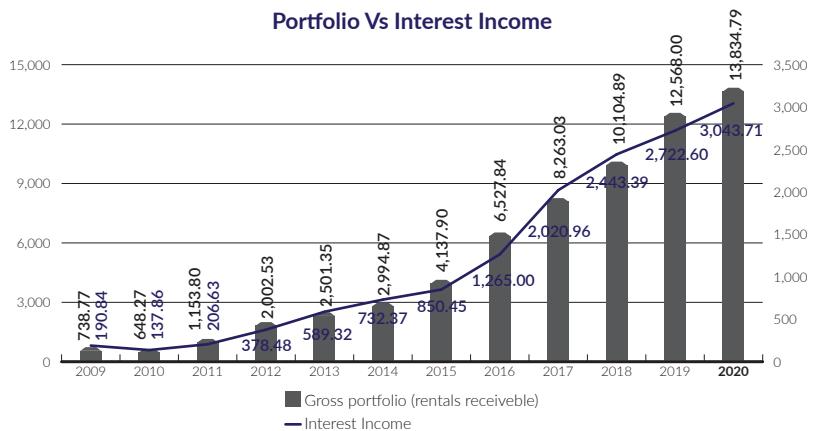
Credit Quality

As the company's growing loan portfolios strive to preserve portfolio quality during the year by enhancing recoveries. The company's management has concentrated on strategic ways to boost recovery and sustain portfolio performance.

Net Interest Income

Relative to 2018/2019, the company's net interest income margin reported 3.9 percent in 2019/2020 relative to 2018/2019, as a consequence of adverse interest rate adjustments over the period.

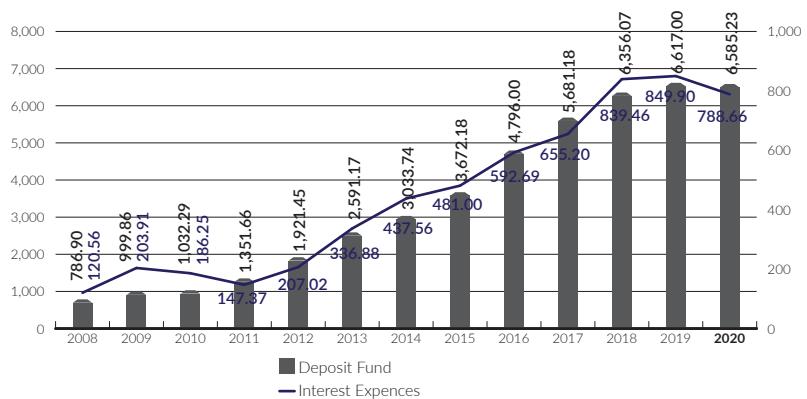
Portfolio Vs Interest Income



Interest Expenses

The Company's interest spending reported a 7 percent decrease compared to 2018/2019 as a consequence of a decrease in interest-bearing liabilities during the latter part of the financial year.

Fixed Deposit Vs Interest Expenses



Management Discussion and Analysis

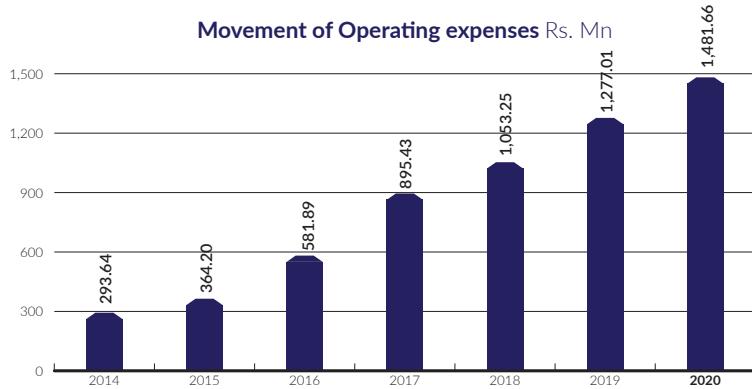
Operating Expenses

Compared to the 2018/2019 review year, operating costs rose 16 percent. Operating costs in the previous year were Rs 1277 Mn, increasing to Rs 1481.6Mn. The largest contributor to the higher running costs is general management spending and it was 34 percent.

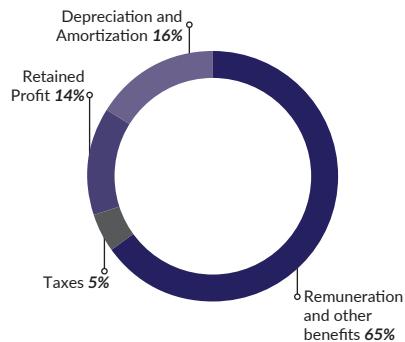
Value Addition

For its value formation, Asia Asset Finance is highly intertwined with and interdependent on its stakeholders. This is expressed in the dichotomy of the method of generating value by supplying value to stakeholders and deducing benefit from them. Value derivation helps AAF to produce revenue for itself, having the potential to maintain its success as a ongoing concern in the near future. This are two mutually inclusive factors, because it is the AAF's sustained success that helps it to owe people and the economy proper regard, whereas AAF will not maintain its output in the long run unless the social and environmental factors are properly taken into account. Profitable activity is a precondition for becoming competitive. In the value added table, AAF continued to create both financial and other resources through its operations during the year. Specifics of value-creating activities are provided. The consequences of such practices are outlined in the "Position of value-added"

Movement of Operating expenses Rs. Mn



Value Added As at 31.03.2020



Basis of Ratio

Ratio	Definition
Earnings per share (Rs.)	Profit or Loss attributable to ordinary shareholders/Average no of shares
Net Asset Value per share (Rs.)	Total share holders equity/no of shares
Price Earnings (Times)	Market Price per share* no of shares
Price to book value (Times)	Market Price per share/Earning per share
Return on equity (%)	Profit attributable to ordinary shareholders/average share holder equity
Earning yield %	Earning per share/Market Price per share
Debt to Equity ratio (Times)	borrowings/total share holder equity
Interest Cover (Times)	PBIT/Interest Expenses
Current ratio	Current assets/Current Liabilities
Gross non performing advances ratio %	Non Performing portfolios net of IIS and unearned income/gross portfolio net of iis and UI
Collective impairment to total loans	collective impairment/gross loans receivable
Operating profit	operating profit before VAT ON FS/INTEREST INCOME
Net Interest Margin %	Net Interest Income/Average Interest Earning Assets

Management Discussion and Analysis



Credit & Operations Review 2019/2020

In this financial year, Sri Lanka has experienced significant and substantial hurdles from both economic and political viewpoints as a developing country. The country's economy was struck by bomb explosions at the beginning of the financial year, primarily involving churches and star-class hotels. It inhibits the country socially and economically. This trend poses a significant downside for the tourism sector, which accounts for almost 10%-12.5% of Sri Lanka's GDP. Furthermore, with subsequent events, this situation has created a financially and politically precarious situation for the region.

The detrimental effects of this incident directly affected the Finance Sector through the drop in availability to repay consumers' loan rentals due to non-operation at their business as normal owing to their companies' non-operation as normal. In addition, the allocation of new facilities to clients were also immediately suspended due to the uncertain financial circumstances. This scenario lasts almost until October 2019, and due to increased arrears and failure to repay, most of the impacted service facilities are rescheduled with different rental schemes.

In the latter part of the financial year, another global CoViD 19 pandemic created a full dead stop situation for financial firms as well as the whole country. Nevertheless, as a well-established financial firm in the market, which even in history has resolved numerous challenges, AAF has firmly faced these new challenges with great teamwork. This is illustrated by turning a profit (profit before income tax) of Rs. 93.3 million for the financial year, even after compliance with all the provisions required. Compared to Rs. 93.9 million in 2018/19.

In this financial year, via gold loans and property mortgage facilities, AAF has further expanded the secured based portfolio section. Other than in the rescheduling of a facility, when securing main or secondary mortgages that mitigate the collateral risk of the facility, unsecured facilities have often been moved into the secured group.

Conceptually, except for the Head Office, all branches proceed with Gold loan facilities. There is a different team in each branch to manage this product; there are at least two staff members. Gold loan regulation is under a different AGM and a centralized staff under him. There is a routine check to guarantee the consistency and quantity of gold. The audit team's results were reported to the monthly audit committee, chaired by the Chairman and the Director / CEO.

Contribution to product growth is revealed by the rise in the base of gold loans from Rs.2.7 billion to Rs. 4.3 billion at the end of the financial year, which is a 59 per cent improvement in the base of gold loans and

the company's very good and excellent results for the year.

With the organizational control of AGM Marketing & AGM Product Development run by a separate product Manager, the mortgage loan pool has also been expanded. This base has also been improved from Rs . 1 .1 billion to Rs. 1.6 billion in this financial year. The two key forms of property considered for mortgage loans are the business and residential properties. Mortgage loans for agriculture land, however, may occasionally be considered; primarily tea & coconut lands; with a low exposure base.

In the consolidation and collection process, microfinance, personal loans and industrial, SME & company loans are ultimately under the over look of AGM-products and related project managers.

Branches that are already given unsecured base, mostly in an intention to rescheduling, converting to a secured group and collecting their current base whilst doing the secured base, continue to reschedule and receive loan items for unsecured products.

Mobilization and managing of fixed deposits by AGM- FD along with a similarly assigned team operating at the branch level. In contrast to the AGM-FD, there is an AGM-Investments that also mobilizes AAF assets. For the financial year ending 31.03.2020, the figure is Rs.6.5 billion. As a centralized entity under the direction of the General Manager, a different Fixed Deposit Management team is in the Head Office.

The AGM -Treasury manages financial obligations (banks & other borrowings) and displays the year-end number as Rs.6.1 billion and the sum was Rs. 4.9 billion in 2018/2019.

AAF opened 6 new branches in the previous year 2018/2019 according to the selection method of the country's geographically prospective cities. The company has also opened two new branches in Kegalle and Matale in the same phase in 2019/2020. Therefore, a business with a total of 30 branches served in the last financial year.

Overall, in terms of credit & operations, it has been a very difficult financial year. However, with the contributions of all senior management members to trainees, AAF finished the financial year with profits and thereby expanded the secured platform, which is a positive strategic step.

Management Discussion and Analysis



Human Resource Review

AAF has always recognized its staff's capacity as the cornerstone to the achievement of the Organization. As expected, AAF proceeded to demonstrate tremendous growth for the financial year 2019/2020, providing leadership with a higher incentive to provide sufficient opportunities to enhance its capacity and invest in its people's growth and development. In line with the organization's geographic development, the main target zones for 2019/2020 were streamlining procedures across the Island's geographic regions while preserving transparency.

Our HR team adheres strongly to the concept of professionalism, dignity, honesty, commitment, and competence of the organization as a team. Our HR procedures have produced a forum to encourage feedback from employees on extra training or further education needs that will generate the route for them to become future leaders by improving their skills through coaching, education and internal job transfers. We always strive to operate smarter to tackle the issues of staff so that the job climate is always perfect for the creativity and performance of the team.

AAF has a staff of 495 operating across the island. We pursue our endeavors to add employment while maintaining the performance of the same and working dedicatedly to promote the organizations

vision for the next financial year through talent acquisition. We drew skills for different roles of management and leadership, contributing like-minded and passionate people through head hunting for the team. The equal focus has been placed on creating leadership among current middle-level management to enable them to execute company objectives efficiently and guide the company's development and growth at various stages

A resourceful human capital is established by empowering our staff. In general, our field employees are deployed with motor vehicles, petrol, uniforms, mobile phone equipment, and appropriate coaching. HR team remains informed with legislative developments, state-of-the-art HR technologies to assist managers to stay current with industry fluctuations. HR policy/process is regularly amended to be in line with the procedures of the sector. Human Resource is the most significant reality that we all rely on their talents and abilities; in reality, through their commitment, the business accomplished goals and objectives. AAF's primary asset is, therefore, their employee.

Our HR Policy

We have an HR strategy in position specifically referring to employee benefits as well as privileges linked to their salaries, operating circumstances, occupational safety, non-discrimination,

etc. Management at AAF is an essential component of our company plan

And a major row obligation. The firm carries out its diverse operations through divisions that report to senior management immediately. The Senior Management and Director's Board

is responsible for establishing global HR strategies and ensuring that these financial strategies are correctly implemented.

Our HR policy's primary objective is to build a victorious relationship between employee interests and organizational requirements. We constantly aim to offer a fair compensation to the right person, with the right experience, at the right time, in the right place. The business promotes management, accountability for individuals, and teamwork. In addition, there are no factual problems related to the entity's staff and economic connections.

Our staff is experts who, in the interests of the entire business, struggle for the achievement of their own divisions. In exchange, in a multicultural operating setting, our staff can rely

on possibilities for personal and professional development depending on the perspective that personal and professional development motivates

Individuals and adds to a successful organization in which all roles are employed by competent, responsible and engaged staff.

Training & Development

Employee learning was crucial in this present profitable industry. In the financial year 2019/2020, Asia Asset Finance invested about 3.5 million Rupees on learning and development, and 400 staff was trained. In addition, employees were provided with specific training. Depending on the coaching demands, we carry out monthly and weekly coaching item wise. AAF sees its staff as the organization's most significant stakeholders and is therefore dedicated to training and developing all staff to improve the productivity of both individuals and organizations. Accordingly, training and development initiatives are driven by strategic plans and designed to work towards meeting the overall goals.

Training & awareness programs are a crucial element of employee growth, service distribution, performance certainty and client fulfillment at whatever stage of jobs. AAF emphasizes the significance of job sourcing, teaching & growth and quality management as an increasing business trying to recruit create and maintain the finest workforce at all stages. Through systemic learning and growth programs, we spend in enhancing performance, abilities, approach and ability of all staff. We are market-driven and technology-based, providing

Economic products and facilities to clients. Our goal is to be the first choice for customers, employees and shareholders and to be recognized as part of the community.

Our education & coaching is focused on the perspective that one of the most precious resources to understand our aspirations is understanding the behaviour and capabilities of our staff. We use coaching programs to build meeting places for executives from various business units, fields and social environments to swap ideas and networking and to give opportunities for external benchmarking. Therefore, during the year under evaluation, the company engaged in the previous coaching programs.

Recruitments

During the year, AAF has hired 175 new employees, all of which who have distributed across our office network and agencies.

Staff Recreation

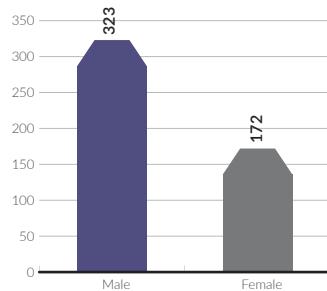
Company has organized two significant employees meeting activities each year concentrating on the Annual Trip and Christmas Party. Our Welfare Club organized the annual personnel tour to Turyaa Hotel, Kalutara in 03rd August 2019

this year about 365 employees participants attended the personnel tour. The Christmas event also took place on 07 December 2019 at Covano Hotel Veyangoda.

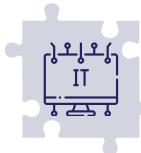
Staff Performance

AAF performs quarterly performance assessments; employees are assessed by their direct supervisors and department heads respectively. Finally, the Department of Human Resources conducts the review according to supervisory feedback.

Gender



Management Discussion and Analysis



Information Technology Review

In 2019/2020 AAF foresees growing importance in our digital presence to reach target consumers with effectiveness and additional resources will be deployed to digital marketing activities to reach and create optimal value to stakeholders. During the review period AAF achieved significant step toward digitalisation process by successfully migrating into new Core Business System. This allows AAF to perform day-operations more efficiently and effectively. This new system brings significant improvement toward revolutionising business-to-consumer processes, bringing new possibilities such as online collection platforms and contextual products.

The Information & Technology function at AAF continues to play a pivotal role in streamlining business processes, define KPIs for customer service, improving productivity and facilitating decision making of the organisation. We observed are reflective on how we strengthened our IT organisation, service delivery, communication, and attention to customer service, IT governance structure is integral to creating a sustainable IT planning processes to address strategic needs. As part of this transformation, we continue to make changes to how we are organised, how we sell our products, and how we build and deliver our technology.

With the understanding of Post Covid-19 expectation in digitalisation context, AAF is identified key IT functional requirements to implement during the period. During the review period AAF is successfully initiated pre-requirements for obtaining Digital Banking Platform including Online Banking Application and Mobile Application to meet customer digital satisfaction.

With the understanding of growing threats in Information Security and Information protection, AAF is aware of the importance of the safeguarding personal and confidential information gathered from customer and other stakeholders as a part of business process. AAF in process of introducing upgrade IT Security Infrastructure to all emerging threats from digital environment. Under the initiative AAF will introduce Cyber security framework with real-time monitoring mechanism to respond virus attacks and cyber threats.

With the growing understanding and demand of improving work process, employee performance and efficiencies, IT department has implemented initiatives improving automation of business processes and transforming automated activities to more efficient and digitally enabled platforms.



Corporate Social Responsibility

Asia Asset Finance PLC has been delivering finance solutions for more than a decade, is also one of the leaders of working with societies and caring for our clients, is at the core of who we are and what we do.

We have demonstrated a continuing dedication to work as a socially conscious enterprise and firmly believe in our important role in helping to create a sustainable and prosperous society. For an organisation that through the effect we have on the environment, that has been a vital aspect of the way we've been running our business for many years. We have shown that this approach brings lasting mutual benefits to our business and our nation.

Part of Asia Asset Finance PLC's legacy is developing shared partnerships with our local communities by networking and charitable events.

Both events are essential in having participants connect with each other. Located throughout our island headquarters, our workforce were well placed to serve the neighborhoods in which we reside and operate. The mission is also to train the next generation of workers, provide them with resources, have the requisite expertise and knowledge to support the workforce in the future.

Empowering Communities

We have always assumed that our long-term sustainability relies on our contribution to fulfilling the needs of our community. We are making an attempt to build long-term sustainability by combining the needs of the company with the needs of future generations. The culture in which we run our business and perform commercial operations is important. The business specializes in communicating respectfully and creating long-term partnerships that would help both parties concerned.

We've developed good partnerships with various neighborhood organizations who we've always worked with over the years. We firmly agree that the importance that we build for ourselves is related to the value that we generate for others. We recognize that sustainable national growth is accomplished by democratic transformation and mobilization of societies and individuals.

AAF PLC has taken on the challenge of developing strategies that bring together all developments to integrate social and environmental accountability thinking in the near future and to formulate business processes and practice frameworks that make good business sense. AAF PLC is committed to sustainable growth by being socially responsible and acting as an excellent corporate citizen.

Empowering Communities

AAF PLC has a portfolio of sustainable CSR activities designed to deliver meaningful value and enhance people and communities across the country. These are carried out with the help of staff who are motivated to be charitable with their energy, commitment and abilities to support the city. Ethics and Values A robust Ethics and Values mechanism is in place to oversee our company's CSR plan. They also integrated concepts of government, responsibility, openness, integrity and standards into our activities. We also placed in place measures and an effective framework to oversee the full enforcement of operational and company units with regulatory and internal guidance.

Ethics and Values

A comprehensive Ethics & Values system is in motion to monitor our company's CSR program. They also integrated concepts of government, responsibility, openness, integrity and standards into our activities. We also placed in place measures and an effective framework to oversee the full enforcement of operational and company units with regulatory and internal guidance.

Environment Protection & Conservation

As a financial service company, the environmental effect of our activities is limited; but, as a responsible corporate citizen, we make every attempt to reduce our environmental footprint. Our initiatives to mitigate our environmental effects often help us fulfill the needs of our customers, improve our company's long-term competitiveness, minimize market hazards and lower running costs.

Management Discussion and Analysis

Thuru Mithuru Nawa Ratak – A CSR Contribution to SL Army for Green Project

Due to country's prevailing situation of COVID-19 pandemic, As the First Corporate Donor - Asia Asset Finance PLC stepped in to support "Thuru Mithuru Nawa Ratak" A Green project which was inaugurated by Sri Lanka Army on the 27th of April 2020 to cover all Island-wide formations. It was a great pleasure in handing over our donation to the Chief of Staff Sri Lanka Army, Major General Sathyapriya Liyanage in contributing to the vision of the country.

Blood Donation Campaign - 21/May/2020 - S.Thomas' Preparatory

Other than our Annual Blood Donation campaign commenced on the 10th December 2019 at Asia Asset Finance PLC Moratuwa Branch, AAF Welfare and Sports club committee once again organized a Blood Campaign at St. Thomas' Preparatory on the 21st May 2020 to support the shortage of blood supply due to the prevailing pandemic Covid-19, The staff of AAF made a genuine effort in donating blood to National Blood Bank by making it a successful campaign.

Corporate Governance

The Company's Corporate Governance model has been built and enhanced based on the following requirements and guidelines.

- The Finance Companies (Corporate Governance) Direction No.3 of 2008
- The Companies Act No. 7 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- "Code of Best Practice on Corporate Governance" issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Board of Directors				
The Board should direct, lead and control the Company	A.1	7.10.3 (a)&(c)	Compliant	The Board of Directors currently comprises of Seven Members including the Chairman. The day-to-day monitoring of operations of the Company has been delegated to the CEO and the Executive Committee governed by policies, procedures, and authority by the Board of Directors. They bring a wide range of business, financial, legal, engineering, and entrepreneurial knowledge, skills and experiences.
Board Meetings				
Frequency of Board meetings	A.1.1		Compliant	Board meetings were held twelve (12) times during a year to review financial performance and consider other matters such as strategic and operational plans, to review and evaluate the performance of the Company. The individual attendance by each member of the Board is presented on page 67 of this Annual Report.
Board Responsibilities				
Formulation and implementation and monitoring of business strategies	A.1.2		Compliant	The Board is collectively responsible for formulation, implementation and monitoring of business strategies. In order to do so, the Board appoints sub-committees to assist the Board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, credit management and financial reporting to shareholders.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Competence of the CEO and Senior Management in implementing Business Strategies	A.1.2		Compliant	<p>The CEO is responsible for the management of the Company in accordance with the mandate defined by the Board and he is accountable for the achievement of the financial and non-financial objectives as stipulated in the Company Plan.</p> <p>The Senior Management / Management Committee consist of competent members who have skills, knowledge and experience and qualifications to carry out their respective functions effectively.</p> <p>The profiles of the Senior Management and the Management Committee are presented on pages 24 to 29 of this Annual Report.</p>
Effective succession planning for the CEO and Senior Management	A.1.2		Compliant	Continuous training programmes are put in place to ensure that the Senior Management is up to the required standard in filling a vacant position.
Effective Systems to secure Integrity of Information, Internal Controls and Risk Management	A.1.2		Compliant	To secure integrity of information, internal controls, risk management policies and effective systems have been implemented by the Company. The effectiveness of such systems is continuously monitored by the management, internal and external auditors.
Independent Non-Executive Directors		7.10.2(b)	Compliant	Each Non-Executive Director submits a signed and dated declaration annually of his independence or non-independence against a specified criteria as set out in Appendix 7A of Colombo Stock Exchange listing rule Section 7.10.2(b).
Provision of relevant, quality and timely information			Compliant	Board papers, agenda and previous Board minutes to be tabled one week prior to Board meeting.
Compliance with Laws, Regulations, and Ethical Standards	A.1.2		Compliant	The Company has been taking steps to follow ethical standards in carrying out operations. The Company has taken relevant measures to comply with the laws and regulations applicable to ethical business practices wherever possible.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Consideration of all stakeholders interest in corporate decisions	A.1.2		Compliant	The Chairman ensures the effective communication with the shareholders and that their interests are taken into consideration in making decisions. The Board always makes an effort to minimize negative aspects towards any stakeholder in the corporate decision making process.
Adoption of appropriate accounting policies and fostering compliance with financial regulations	A.1.2		Compliant	The Company's Accounting Policies are reviewed annually and updated accordingly to reflect the true and fair financial position of the Company. Financial statements of the Company are prepared and presented in compliance with the Sri Lanka Accounting Standards (SLAS) and also comply with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and the directions issued there under. The Independent Auditor's Report is given on page 98 of this Report.
Independent professional advice	A.1.3		Compliant	The Board members are permitted to obtain independent professional advice from third parties as deemed necessary, which includes the Company's external lawyers and auditors at the expense of the Company.
Company Secretary	A.1.4		Compliant	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines. All governance activities are coordinated on behalf of the Board by the Company Secretary, who is accountable to the Board.
Independent Judgment	A.1.5		Compliant	Each Director has independent judgments on issues of strategy, performance, resources and standards of business conduct. Non-Executive Directors have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.
Dedication of adequate time and effort to matters of the Board and the Company	A.1.6			The Board Members dedicate adequate time for the affairs of the Company by attending Board Meetings, Board sub-committee meetings and by making decisions via circular resolutions. The number of meetings attended to by each Director is presented on page 67 of this Annual Report.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Training for Directors	A.1.7		Compliant	The Chairman is responsible to ensure that the Directors possess sound knowledge to carry out their duties in an effective manner.
Division of responsibilities between the Chairman and CEO	A. 2		Compliant	The roles of Chairman and Chief Executive Officer are separated, and are not performed by the one and the same person.
Chairman's Role	A.3 & A.3.1		Compliant	The Chairman is responsible for the leadership of the Board, managing Board meetings and the business undertaken threat. The Chairman together with the Company Secretary is responsible to ensure all relevant issues are on the Board Agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations.
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4		Compliant	<p>AAF Director Board is equipped with qualified Directors in the field of Finance and Accountancy and possesses the necessary financial wisdom. AAF is fortunate to have highly-qualified Directors to advise the Board on financial matters.</p> <p>The Deputy General Manager - Finance possesses vast experience in financial management together with necessary qualifications in finance being an Associate Member of The Institute of Chartered Accountants of Sri Lanka, graduated and holds a Master's Specialized in Finance .</p> <p>The Directors and DGM - Finance hold the required qualifications and experience in the financial service sector as set out in their profiles given on pages 24 to 29 of this Annual Report and provide the Company with the necessary financial guidance in conducting its business.</p>
Board Balance				
Composition of the Board	A.5 & A.5.1	7.10.1	Compliant	The Board of Directors of the Company comprises of Eight Non-Executive Directors and one Executive Director.
Independent Directors	A.5.2	7.10.2 & 7.10.3.(c)	Compliant	There are three Independent Non-Executive Directors and they are free of any business or other relationship with the Company.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Criteria for evaluating Independence of Non-Executive Directors	A.5.3	7.10.2	Compliant	Independent Non-Executive Directors remained distant from management and free from any other business relationships that could impair independency in decision making. The Independent Non - Executive Directors complied with independency criteria stipulated by the CBSL, SEC and ICASL guidelines during financial year 2019/20.
Signed independence declaration by the Non-Executive Directors	A.5.4		Compliant	Each Non-Executive Director is responsible to submit assigned and dated declaration on an annual basis of his/her independency/non-independency. At present, three Directors of the Company are Independent and the other six Directors are Non-Independent.
Determination of independence of Non-Executive Directors	A.5.5		Compliant	Based on the written submissions made by the following Non-Executive Directors and taking into account the criteria specified in Section 4.4 of the Corporate Governance Direction issued by CBSL, the Board deems them as "Independent".
Requirement to appoint a Senior Independent Director	A.5.6		Compliant	The company has a Senior Independent Director to the Board of Directors of AAF.
Supply of Information	A.6		Compliant	As a practice agenda together with high-quality information circulated seven days prior to the Board meeting to discharge the Board obligations effectively.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Information to the Board by management	A.6.1		Compliant	<p>The Board receives regular reports and presentations on strategies and developments in relation to its business lines and geographical areas and overall plans and performance. Regular reports also provide the Board and Board Subcommittees information on risk appetite profile, emerging risks, risk management aspects, credit exposures, asset and liability management including liquidity, compliance and other vital matters. The agenda and supporting papers are distributed in advance to the Board and Sub-Committees meetings to allow time for appropriately review and to facilitate full discussion at the meetings. All Directors have full and timely access to all relevant information.</p> <p>Executive Director brief the Board on the functional areas of Credit, Finance and Recoveries that they oversee. The Board on other functional matters deals with the Managing Director or the heads of those respective departments when necessary. The Directors have free and open contact with management of all levels.</p>
Adequate time for effective meetings	A.6.2		Compliant	<p>The Company Secretary ensured that the required notice of meeting, agenda and information documents including Board papers are circulated to all Directors at least seven days prior to holding of Board meetings. This ensured that the Board members have adequate time to study and analyze the related papers and prepare thoroughly for Board meetings.</p>
Appointments to the Board				
Assessment of Board Composition			Compliant	<p>The Board as a whole assesses its own composition to ascertain whether the combined knowledge and experience of the Board matches when the Company is faced with strategic demands facing the Company. The findings of such assessments are taken into account when making new appointments to the Board.</p> <p>This financial year, one new appointments were made to the Board by considering their industry experience and knowledge.</p>
Disclosure of profiles of the newly-appointed Director	A.7.3	7.10.3. (d)	Compliant	A brief profile of each Director is presented on pages 18 to 23 and the Company is forthwith disclosing to shareholders.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Resignation of a Director			Compliant	There are no resignations of Directors during the financial year. It is stated on page 80 of this Annual Report.
Period of Service			Compliant	No Director has exceeded the period of nine years of holding the office of Director.
Appraisal of Board performance				
Board appraisal	A.9 & A.9.1		Compliant	The Board periodically appraises their own performance and self-assessment to be undertaken by each Director in order to ensure that Board responsibilities are satisfactorily discharged. A self-assessment was carried out by each Director at the end of the financial year based on a specified evaluation checklist.
Fitness and Propriety of Directors			Compliant	None of the Directors of the Company are above the age of 70 years and they do not hold office as a Director or any other equivalent position in more than 20 Companies/Societies/ Corporate Bodies.
Disclosure of Information in relation to each Director				
Information in relation to each Director	A.10	7.10.3 (c)	Compliant	<p>The following information in relation to Directors is disclosed in the Annual Report.</p> <ol style="list-style-type: none"> 1. Profiles of Directors - Pages 18 to 23 2. Corporate Governance Report – Pages 43 to 70 3. Details of Related Party Transactions – Page 158 Details of Directors including names, transactions with a finance Company. 4. Board Meeting Attendance - Page 67 <p>In terms of the Articles of Association of the Company, Directors abstain from voting on any Board resolution on a matter in which he or any of his relatives has substantial interest and are not counted in the quorum for relevant agenda item at the Board meeting.</p>
Appraisal of CEO	A.11		Compliant	The Board annually assesses the performance of the CEO.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Targets for Director/ Chief Executive Officer	A.11.1		Compliant	The Director/Chief Executive Officer, being the apex chief executive of the Company, is entrusted by the Board to conduct day-to-day operations effectively to attain broad strategic targets/goals after giving necessary consideration to market reality and changes in relevant variables. Performance of the Director/Chief Executive Officer is reviewed on an ongoing basis by the Board, evaluating the extent to which organizational objectives have been achieved overall, from an overall perspective.
Directors' Remuneration				
The level and make up of Remuneration	B.2		Compliant	The Remuneration Committee in deciding the remuneration of the Directors.
Executive Share Options	B.2.5		Compliant	At present the Company does not have any executive share options.
Disclosure of remuneration	B.3		Compliant	The remuneration paid to the Directors is disclosed on page 158 of this Annual Report.
Relations with Shareholders				
Constructive use of AGM and conduct of General Meetings	C.1		Compliant	The AGM is held in a participative way with the presence of the shareholders. The Board is responsible for encouraging all the shareholders to be present at AGM's of the Company.
Consideration of proxy votes	C.1.1		Compliant	The Company counts all proxy votes and indicates the level of proxies lodged on each resolutions and the balance for and against resolution.
Separate resolution for separate issues	C.1.2		Compliant	The Company proposes a separate resolution on each substantially separate issue and the adoption of the Annual Report and accounts is proposed as a separate resolution.
Circulation of Notice of AGM and other documents	C.1.4		Compliant	The Annual Report, Financial Statements, copies of proposed resolutions to be passed at the AGM and the notice are sent to Shareholders with a notice period of at least 15 working days in compliance with the Companies Act.
Summary of procedure governing voting at General Meetings	C.1.5		Compliant	Instructions on appointing a Proxy with regard to representing the shareholder at the General Meeting to ensure the voting right are sent to each shareholder.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Major Transactions				
Disclosure of major transactions	C.2		Compliant	Board of Directors disclose to all shareholders all proposed corporate transactions which if entered in to would materially alter the Companies net assets base.
Accountability and Audit				
Financial Reporting	D.1		Compliant	The Board ensures annual audited Financial Statements and periodically financial statements are prepared and published in accordance with the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and the directions issued thereunder and the Financial Statements are presented in conformity with the Sri Lanka Accounting Standards. The Company has also complied with the requirements of the regulatory authorities such as the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.
Interim accounts, price sensitive public reports, reports to regulators and information required by statute	D.1.1		Compliant	<p>Interim and Annual Financial Statements and other price sensitive information are disclosed to the CSE duly on a timely basis. All other regulatory reports are also submitted by the due dates.</p> <p>AAF's interim accounts have been published in a timely manner in three languages and conform to State Language Policy and the regulatory interim publication format and the applicable accounting standards and requirements specified in all other regulations mentioned in the previous paragraph.</p>
Directors' Report	D.1.2		Compliant	Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are presented on page 78 of this Annual Report.
Responsibilities of the Board and Auditors for the preparation of Financial Statements	D.1.3		Compliant	The statements of Directors' Responsibility for Financial Reporting and Independent Auditors' Report are presented on pages 85 and 98 of this Annual Report.
Management Discussion and Analysis	D.1.4		Compliant	"Management discussion and analysis" discussing the above issues; Industry structure and development, risk and concerns, financial performance and prospects of the future are presented on pages 32 to 42 of this Annual Report.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Declaration of Going Concern by Directors Internal Control	D.1.5		Compliant	The Board of Directors provides disclosure confirming the going concern of the Company on page 87 of the Annual Report.
Maintain a sound system of Internal Controls	D.2		Compliant	A Risk Management Report is presented on pages 71 to 77 of this Annual Report. Review of the Effectiveness of the group's system of internal controls to safe-guard shareholders' investment and the Companies Assets.
Review of the effectiveness of the group's system internal control	D.2.1		Compliant	<p>The Audit Committee periodically assesses the effectiveness of the internal control systems.</p> <p>The Audit Committee Report on internal controls is given on page 89 on the Annual report.</p>
Internal Audit function	D.2.2		Compliant	AAF has entrusted its separate Internal Audit Division, with members who are well-qualified and experienced officers, to conduct independent audits in areas involving high risk, especially at branch level in keeping to the annual audit plan. Monthly/quarterly full audit/spot audits are conducted by both sets of internal auditors based on approved annual audit programmes.
Board Committees				
Board Committees	D.3	7.10.5 & 7.10.6	Compliant	<p>The Company consists of the following Board Committees as required by the relevant statutory provisions;</p> <p>Audit Committee</p> <p>Integrated Risk Management Committee</p> <p>Remuneration Committee</p> <p>Related Party Transaction Review Committee</p> <p>Credit Committee</p> <p>Each of the above Committees directly report to the Board and is responsible to present a report on performance, duties and functions at the AGM.</p>

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Sub Committees				
Audit Committee	D.3	7.10.6 (a), (b) & (c)	Compliant	<p>An Audit Committee is appointed by the Board of Directors. This Committee consists of five members of the Board, out of the three members; two of them is a non-Independent Non-Executive Director. The Chairman of the Committee is an Independent Non-Executive Director who possesses qualifications and experience in accountancy. The composition and functions carried out by the Audit Committee is presented on page 89 of the Annual Report.</p> <p>The Committee met 05 times during the year.</p>
Remuneration Committee		7.10.5.	Compliant	<p>A Remuneration Committee was appointed by the Board of Directors during the year. The Chairman of the Committee is a Non-Executive Director. The composition and functions carried out by the Remuneration Committee is presented on page 88 of this Annual Report.</p>
Integrated Risk Management Committee			Compliant	<p>The Committee consists of 06 members. The committee periodically reviews the adequacy and the effectiveness of the risk management decisions taken by the Management.</p>
Independence and objectivity of the Auditors			Compliant	<p>The Audit Committee, in keeping to its terms of reference, monitors the objectivity, effectiveness and independence of the External Auditor of the Company. Audit Committee recommended Messrs BDO Partners as the External Auditor of the Company in 2014, in accordance with CBSL regulations on selecting regulatory approved External Auditors for the sector.</p> <p>Audit Committee's selection and review of external auditor was based on capability, resource availability of the firm and their level of independence from AAF and its Board of Directors.</p> <p>The duties of the Audit Committee is given in the Audit committee's report which is set out on page 89 of this Annual Report.</p>
Adoption of a Code of Business Conduct	D.4		Compliant	<p>The Company adopts a code of business conduct and ethics for Directors and members of the senior management team.</p>

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Confidential Information	D.4.1		Compliant	If the Company has a Code of Business conduct & ethics for directors and members of the senior management team, make affirmative declaration in the annual report that all directors and members of the senior management team have complied with such code. If unable to make that declaration state why you are unable to do so.
Affirmation from the Board regarding not violating the provisions of the code	D.4.2		Compliant	There were no violations of the Company's Code of Ethics during the year.
Practice of good Corporate Governance	D.5		Compliant	The Company is adhered to the Corporate Governance directions issued by the Central Bank of Sri Lanka. Further, the Company has taken steps to be compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for listed companies issued by the CSE.
Inclusion of a Corporate Governance Report in the Annual Report	D.5.1		Compliant	The Corporate Governance Statement states to what extent the Company is compliant with the Corporate Governance guidelines.
Shareholders				
Institutional Investors				
Ensure institutional shareholders' voting intentions are translated into practice	E.1		Compliant	All shareholders are encouraged to participate and vote at the AGM. The names and the number of shares held by the 20 largest shareholders and percentage of such shares are presented on page 83 of this Annual Report along with other shareholder information.
Regular and structured dialogue with shareholders	E.1.1		Compliant	The Company conducts a regular and structured dialogue with shareholders based on a mutual understanding of objectives. The primary mode of Communication between the Company and the Shareholders is through the Annual General Meeting. The Chairman ensures the views of shareholders are communicated to the Board as a whole.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Other Investors				
Investing/ Divesting Decisions	F.1		Compliant	The Annual Report is circulated to all shareholders in a timely manner and includes adequate information to enable the shareholders to make decisions relevant to their investment in the Company.
Encourage individual shareholders to participate in general meetings and exercise voting rights	F.2		Compliant	All shareholders are encouraged to participate and vote at the AGM.

Corporate Governance

1. Annexure

NOTE: The below mentioned numbering is used to coincide with the "section 2" of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 and No. 6 of 2013 amendment issued by the Central Bank of Sri Lanka.

2	The Responsibilities of the Board	Findings
2.1	<p>Check the Board's approval of the finance company's strategic objectives and corporate values.</p> <p>Check whether the finance company has communicated its strategic objectives and corporate values throughout the finance company.</p>	Complied
a.	<p>Check the Board's approval of the overall business strategy of the finance company.</p> <p>Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented.</p> <p>Check that the overall business strategy contains measurable goals, at least for next three years.</p>	Complied
b.	Check that the appropriate systems to manage the risks identified by the Board are prudent and properly implemented.	Complied
c.	Check that the Board has approved and implemented a policy of communication with all stakeholders including depositors, creditors, shareholders and borrowers.	Complied
d.	Check that the Board has reviewed the adequacy and integrity of the finance company's internal control systems and management information systems.	Complied
e.	Check that the Board has identified and designated key management personnel, as defined in the Sri Lanka Accounting Standards/ CBSL direction, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management.	Complied
f.	Check that the Board has defined the areas of authority and key responsibilities for the Board of Directors themselves and for the key management personnel.	Complied
g.	Check that the Board has exercised appropriate oversight of the affairs of the finance company by key management personnel that is consistent with Board's policy.	Complied
h.	Check that the Board has periodically assessed the effectiveness of the Board directors' own governance practices, including: (i) the selection, nomination and election of directors and key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary.	Complied
i.	Check that the Board has a succession plan for key management personnel.	Complied
j.	Check that the Board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Complied
k.	Check that the Board has taken measures and processes in place to understand the regulatory environment and that the finance company maintains a relationship with regulators.	Complied
l.	Check that the Board has a process in place for hiring and oversight of external auditors.	Complied

2	The Responsibilities of the Board	Findings
2.2	<p>Check that the board has appointed the Chairman and the Chief Executive Officer (CEO).</p> <p>Check that the functions and responsibilities of the Chairman and the CEO are in line with paragraph 7 of the Corporate Governance Direction.</p>	Complied
2.3	Check that there are procedures determined and resolved by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the finance company's expense.	Complied
2.4	Check that a Director has abstained from voting and not be counted in quorum on any board resolution in relation to which he/she or any of his/her close relation or a concern in which a director has substantial interest, is interested.	Complied
2.5	Check that the Board has a formal schedule of matters specifically reserved to it for decisions.	Complied
2.6	Check that the Board has identified events where it is unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors and informed the Director of the Department of Supervision of Non- Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	N/A
2.7	Check that the Board publishes, in the finance company's Annual Report, an annual corporate governance report setting out the compliance with these Directions.	Complied
2.8	Check that the Board adopts a scheme of self-assessment to be undertaken by each director annually and maintains records of such assessments.	Complied

3	Meetings of the Board	Findings
3.1	<p>Check that the Board has met regularly and held board meetings at least twelve times a financial year at approximately monthly intervals.</p> <p>Check whether consent of the board has been obtained through the circulation of written or electronic resolutions/papers.</p>	Complied
3.2	Check that the Board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied
3.3	Check that the board has given notice of at least 7 days for a regular board meeting to provide all directors an opportunity to attend. For all other board meetings, reasonable notice has been given.	Complied
3.4	Check that the directors have met with the attendance requirements. (at least two- thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held). Participation at the directors' meetings through an alternative director, however, to be acceptable as attendance.	Complied
3.5	Check that the Board has appointed a company secretary whose primary responsibilities shall be to handle the secretariat services to the Board and shareholders' meetings and carry out other functions specified in the statutes and other regulations.	Complied
3.6	Check whether the Chairman has delegated the responsibility for preparing the agenda for the Board meeting. If so, the company secretary shall be responsible for carrying out such function.	Complied

Corporate Governance

3	Meetings of the Board	Findings
3.7	Check whether there is a documented process in place for directors to have access to advice and services of the company secretary in relation to Board procedures on applicable laws, rules, directions and regulations.	Complied
3.8	Check that the company secretary maintains the minutes of Board meetings and prepares the minutes within a reasonable time and has a documented process for the minutes to be inspected by the directors.	Complied
3.9	<p>Check that the minutes of a board meeting contain or refer to the following:</p> <ul style="list-style-type: none"> a. A summary of data and information used by the Board in its deliberations. b. The matters considered by the Board. c. The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence, including the names of the directors; d. The matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations e. The understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and f. The decisions and the Board's resolutions. 	Complied

4	Composition of the Board	Findings
4.1	Check that the Board comprises not less than 5 and not more than 13 directors.	Complied
4.2	Check that the total period of service of a director other than a director who holds the position of CEO, or executive director does not exceed nine years. (The period of non-executive director shall be inclusive of total period of service, served up-to the date of this direction).	Complied
4.3	Check that the number of executive directors, including the CEO does not exceed one- half of the number of directors of the Board.	Complied

4	Composition of the Board	Findings
4.4	<p>Check that the Board has at least one fourth of the independent non-executive directors from the total number of directors,</p> <p>Non-executive directors cannot be considered independent, if he/she:</p> <ul style="list-style-type: none"> has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company; Has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited statement of financial position. Has been employed by the finance company during the two year period immediately preceding the appointment as director; Has a relative, who is a director or a chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company. Represents a shareholder, debtor or such other similar stakeholder of the finance company; 	Complied
	<p>Does an employee or a director have a shareholding of 10% or more of the paid up capital in a company or business organization:</p> <p>Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its audited statement of financial position of the finance company; or</p> <p>In which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10 % of the capital funds as shown in its last audited statement of the financial position of the finance company; or</p> <p>In which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited Statement of Financial Position of the finance company.</p>	
4.5	Check whether the alternative director appointed to represent an independent non- executive director meets the criteria for independent non-executive directors.	N/A
4.6	Ensure that non-executive directors have necessary skills, qualifications and experience especially in banking, finance to bring an objective judgement to bear on issues of strategy, performance and resources.	Complied
4.7	Check whether there had been required quorum and at least 50% of the directors present at the meetings were non-executive directors.	Complied

Corporate Governance

4	Composition of the Board	Findings
4.8	<p>Check whether in all corporate communications where the names of the directors are disclosed, independent non-executive directors are expressly identified.</p> <p>Check whether the Annual Corporate Governance Report which is a part of the Annual Report has disclosed the composition of the board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors.</p>	Complied
4.9	Check the procedure for the appointment of new directors and orderly succession of appointments to the Board.	Complied
4.10	Check that all directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment.	Complied
4.11	Check whether the Board has announced to the shareholders and notified the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation or removal of directors giving the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the Board.	Complied

5	Criteria to assess the fitness and propriety of directors	Findings
5.1	Check that the age of a person who serves as director does not exceed 70 years.	Complied
5.2	Check if a person holds office as a director of more than 20 companies/ societies/ body corporates inclusive of subsidiaries or associate companies of the finance company.	Partly complied Mr. G. Alexander holds directorship in more than 20 companies.

6	Management functions delegated by the board	Findings
6.1	Check whether the functions delegated by the Board ensure that it does not hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied
6.2	Check that the Board reviews the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied

7	The Chairman and CEO	Findings
7.1	Check that the roles of Chairman and CEO are separated and not performed by the same individual.	Complied

7	The Chairman and CEO	Findings
7.2	<p>Check that the chairman is a non-executive director.</p> <p>In the case where the chairman is not an independent non - executive director, check that the Board designates an independent non- executive director as the senior director with suitably documented terms of reference.</p> <p>Check that the designation of the senior director be disclosed in the finance company's Annual Report.</p>	Complied
7.3	Check that the Board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the CEO and relationships among members of the Board.	Complied
7.4	<p>Check whether the Board evaluation process covers the following; where the Chairman:</p> <ul style="list-style-type: none"> a. Provides leadership to the Board; b. Ensures that the Board works effectively and discharges its responsibilities; and c. Ensures that all key and appropriate issues are discussed by the Board in a timely manner. <p>(Should have been conducted at least annually).</p>	Complied
7.5	Check that a formal agenda is circulated by the company secretary approved by the chairman.	Complied
7.6	Check that the agenda has adequate information in relation to the agenda items. Agenda papers are circulated to the directors 7 days prior to the meeting.	Complied
7.7	Peruse at least three Board minutes to ensure that the Board members have adequately contributed to the decisions.	Complied
7.8	Peruse at least three Board minutes to ensure that the Chairman facilitates the contribution of non-executive directors and ensures constructive relationships between the executive and non – executive directors.	Complied
7.9	Peruse the organizational chart approved by the Board and inquire from the key management personnel whether they are under the supervision of the Chairman.	Complied
7.10	Check the process adopted by the Chairman of the Company to communicate with the shareholders and how the views of shareholders are communicated to the Board.	Complied
7.11	Peruse the organizational chart approved by the Board to ensure that the CEO functions as the apex of the company.	Complied

8	Board appointed committees	Findings
8.1	Check that the finance company has established an Audit Committee and an Integrated Risk Management Committee.	Complied
8.2	Audit Committee: <ul style="list-style-type: none"> a. Check that the chairman of the committee is a non-executive director and possesses qualifications and experience in accounting and/or audit. b. Check that all members of the committee are non-executive directors. 	<ul style="list-style-type: none"> Complied Complied

Corporate Governance

8	Board appointed committees	Findings
	c. Check that the committee has made recommendations on matters in connection with: i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii) the implementation of the Central Bank guidelines issued to auditors from time to time; iii) the application of accounting standards;	Complied
	d. Check whether the committee has established a policy in relation to the service period, audit fee and any resignation or dismissal of the auditor; This policy should address that the engagement partner does not exceed five years, and is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied
	e. Check that the committee has obtained representations from the external auditors on their independence and evaluated the effectiveness, and that the audit is carried out in accordance with SLAuS.	Complied
	f. Check that the committee has implemented a policy on the engagement of an external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services (in accordance with Sec 8 2(e) of the regulations).	Complied
	g. Check that the committee has discussed and finalized the nature and scope of the audit, with the external auditors including: i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and iii) the co-ordination between auditors where more than one auditor is involved.	Complied
	h. Check that the committee has reviewed the financial information of the finance company by perusing the minutes, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodic reports prepared for disclosure. The following areas should have been addressed in the review by perusing the minutes;	Complied
	Major judgmental areas; Any changes in accounting policies and practices; The going concern assumption; The compliance with relevant accounting standards and other legal requirements, and; In respect of the annual financial statements the significant adjustments arising from the audit.	

8	Board appointed committees	Findings
	i. Check that the committee has met the external auditors to discuss issues, problems and reservations arising from the interim and the final audit including matters which need to be discussed in the absence of the executive management by perusing the minutes.	Complied
	j. Check that the committee has reviewed the external auditor's management letter and the management's response thereto.	Complied
	k. Check that the committee has taken the following steps with regard to the internal audit function of the finance company: <ul style="list-style-type: none"> i) Established the internal audit charter which covers the scope and functions of the internal audit department and satisfies itself that the department has the necessary authority to carry out its work. ii) Reviewed the resources of the internal audit department, and satisfies itself that the department has the necessary resources to carry out its work; iii) Reviewed the internal audit program and results of the internal audit process and, where necessary, ensures that appropriate actions are taken on the recommendations of the internal audit department ; iv) Reviewed any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; v) Recommended the appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; vi) Checked that the committee has been informed of all resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers and has provided an opportunity for them to give the reasons for their resignations. vii) Examined the organization chart and terms of reference and ensures that the internal audit function is independent of the activities it audits. viii) Checked that a process has been documented which addresses that the audit work has been performed with impartiality, proficiency and due professional care. 	Complied
	l. Check the minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	Complied
	m. Check that the committee has met the external auditors without the executive management at least once in six months.	Complied

Corporate Governance

8	Board appointed committees	Findings
	n. Check that the audit committee has an approved terms of reference which includes; <ul style="list-style-type: none"> i) Explicit authority to investigate into any matter; ii) The resources which are needed to do so; iii) Full access to information; and iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	Complied
	o. Check that the committee has met regularly and maintained minutes.	Complied
	p. Check that the annual report contains a report from the Audit Committee which includes the following. <ul style="list-style-type: none"> i) Details of the duties and functions of the committee ii) Details of the activities of the audit committee; iii) The number of audit committee meetings held in the year; and iv) Details of attendance of each individual director at such meetings 	Complied
	q. Check that the secretary of the committee is the company secretary or the head of the internal audit function.	Complied
	r. Check that the "whistle blower" policy covers the process of dealing with; <ul style="list-style-type: none"> i) The improprieties in financial reporting, internal control or other matters. ii) In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and iii) Appropriate follow-up action. iv) Protection of the whistle blower 	Complied
8.3	Integrated Risk Management Committee (IRMC):	
	a. Check that the committee consists of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.	Complied
	b. Check that the committee has a documented process to capture and assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a finance company basis and group basis.	Complied

8	Board appointed committees	Findings
	c. Check that the committee has evaluated functions carried out by all management level committees such as the credit committee and the asset- liability committees, in relation to addressing specific risks and managing these risks.	Complied
	d. Check that the committee has taken prompt actions in accordance with the policies on risks which have gone beyond the specified levels as decided by the committee.	Complied
	e. Check the committee has met at least quarterly to assess all aspects of risk management by perusing the minutes.	Complied
	f. Check that the committee has taken appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied
	g. Check that the committee submits a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied
	h. Check that the committee has established a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations and that there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.	Complied

9	Related party transactions	Findings
9.1	The Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 shall be considered in addition to the following.	Complied
9.2	Check that there is an established and documented process by the Board to avoid any conflicts of interest that may arise from any transaction of the finance company with a related party as defined in the direction no 3 of 2008 paragraph 9.	Complied
9.3	Check that there is a process to identify and report the following types of transactions being identified as transactions with related parties that is covered by this Direction.	
	a. The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation.	Complied
	b. The creation of any liabilities of the finance company in the form of deposits, borrowings and investments.	Complied
	c. The provision of any services of a financial or non-financial nature provided to the finance company or received from the finance company.	Complied
	d. The creation or maintenance of reporting lines and information flows between the finance company and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied
9.4	Does the Board have a process to ensure that the finance company does not engage in transactions with related parties as defined in Direction 9(2) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the finance company carrying on the same business	

Corporate Governance

9	Related party transactions	Findings
	a. Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the finance company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of 5 years or more.	Complied
	b. Charging of a lower rate of interest than the finance company's best lending rate or paying more than the finance company's deposit rate for a comparable transaction with an unrelated comparable counterparty.	Complied
	c. Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;	Complied
	d. Providing services to, or receiving services from a related-party without an evaluation procedure;	Complied
	e. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	Complied

10	Disclosures	Findings
10.1	Check that the board has disclosed:	
	a. Annual audited financial statements and periodical financial statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards	Complied
	b. That such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied
10.2	Check that the Board has made the following minimum disclosures in the Annual Report:	
	a. The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied
	b. The report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied
	c. Details of directors, including names, transactions with the finance company.	Complied
	d. Fees and remuneration paid to directors in aggregate.	Complied
	e. Total net accommodation as defined in paragraph 9(4) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the finance company's capital funds.	Complied
	f. The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied
	g. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied

10	Disclosures	Findings
	h. A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, rules and Directions that have been communicated by the Director of the Department of Supervision of Non – Bank Financial Institutions, if so, directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	N/A
	i. A statement indicating that the Board has obtained a factual findings report on the compliance with the corporate governance direction.	Complied

11	Disclosures	Findings
	Check that the Board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 10 (2) (b) above.	Complied

Board Meeting Attendance

Board Meeting attendance from 01st April 2019 to 31st March 2020

Name of the Director	Attendance at Board Meetings											
	23/04/2019	24/05/2019	17/06/2019	16/07/2019	28/08/2019	17/09/2019	28/10/2019	22/11/2019	27/12/2019	27/01/2020	21/02/2020	27/03/2020
Mr. C. Ramachandra	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R.J.A. Gunawardena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. D.P. Pieris	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R.A.T.P. Perera	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. G. Alexander	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. K.R. Bijimon	✓	✓	✓	✓	x	✓	x	✓	✓	✓	✓	✓
Mr. R. A. B. Basnayake	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr.J.P.D.R. Jayasekara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. K. G. K. Pillai	✓	✓	✓	✓	✓	✓	x	✓	✓	x	x	✓

Corporate Governance

Sub Committee Attendance

Related Party Transaction Review Committee Meetings attendance from 01st April 2019 to 31st March 2020

	Name of the Member	Attendance of the Members			
		25.06.2019	17.09.2019	17.12.2019	21.02.2020
1.	Mr.J.P.D.R. Jayasekara	✓	✓	✓	✓
2.	Mrs. D.P. Pieris	✓	✓	✓	✓
3.	Mr. K.R. Bijimon	✗	✓	✓	✓
4.	Mr. R. A. B. Basnayake	✓	✓	✓	✓

IT Committee attendance from 01st April 2019 to 31st March 2020

	Name of the Member	Attendance of the Members	
		21.08.2019	18.02.2020
1.	Mr. R.A.B. Basnayake	✓	✓
2.	Mr. C. Ramachandra	✓	✓
3.	Mr. R.J.A. Gunawardena	✓	✓
4.	Mrs. D.P. Pieris	✗	✓
5.	Mr. J.P.D.R. Jayasekara	✓	✓

Integrated Risk Management Committee attendance from 01st April 2019 to 31st March 2020

	Name of the Member	Attendance of the Members				
		04.06.2019	19.09.2019	08.11.2019	23.01.2020	12.03.2020
1.	Mr. C. Ramachandra	✓	✓	✓	✓	✓
2.	Mr. R.A.T.P. Parera	✓	✓	✓	✓	✓
3.	Mr. R.J.A. Gunawardena	✓	✓	✓	✓	✓
4.	Mr. S.S.R.D. De Silva Gunasekara	✓	✓	✓	✓	✓
5.	Mr. J.P.D.R. Jayasekara	✓	✓	✓	✓	✓
6.	Mr. K.R. Bijimon	✓	✓	✓	✓	✓

Remuneration Committee attendance from 01st April 2019 to 31st March 2020

Name of the Member	Attendance of the Members
1. Mr. C. Ramachandra	✓ ✓
2. Mr. R.A.T.P. Perera	✓ ✓
3. Mr. G. Alexander	✓ ✓
4. Mr.R.A.B Bassnayake	✓ ✓
5. Mr. J.P.D.R. Jayasekara	x ✓

Audit Committee attendance from 01st April 2019 to 31st March 2020

Name of the Member	Attendance of the Members				
	18.04.2019	14.06.2019	28.08.2019	04.09.2019	14.11.2019
1. Mr. R.A.T.P. Perera	✓	✓	✓	✓	✓
2. Mr. C. Ramachandra	✓	✓	✓	✓	✓
3. Mr. K. G. K. Pillai	✓	✓	✓	x	✓
4. Mr. R.A.B. Bassnayake	✓	✓	✓	x	✓
5. Mr. J. P. D. R. Jayasekara	✓	✓	✓	x	✓

Credit Committee attendance from 01st April 2019 to 31st March 2020

A black and white photograph showing a close-up of a person's hands working on a jigsaw puzzle. The hands are positioned over a light-colored wooden table, with several white puzzle pieces scattered across it. One piece is being held by a finger, ready to be placed into a slot. The lighting is dramatic, creating strong shadows and highlights on the wood grain and the puzzle pieces.

Risk Management

Integrated Risk Management Report

Introduction:

The changes in the external environment in the year under review was filled with events and complexities, caused by the changes in the Political, Economic, Social and Technological factors that have

adversely affected our business operations. AAF has become more resilient and grew from strength to strength, mitigated the adverse impacts and ensured the smooth functioning of the business. Sluggish economic and credit growth, political

instability, April 2019 Easter Attacks and the outbreak of the COVID – 19 pandemic globally and locally are the main events that took place, creating adverse impacts to our main business operations.

Risk Impacts

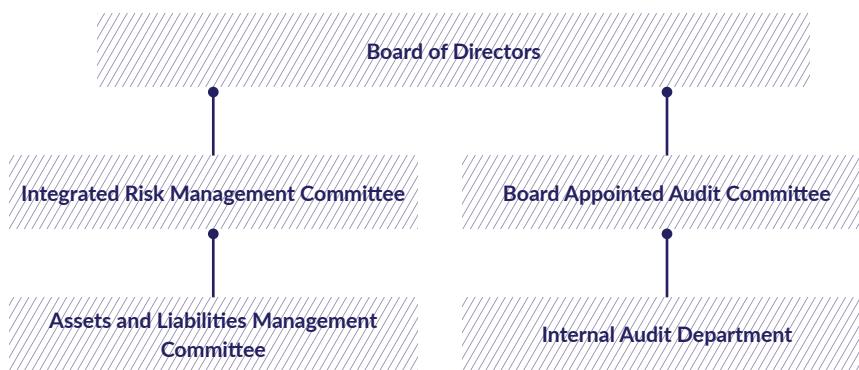
Event	Assessment	Impact
Easter Sunday attack	Moderate	Had a negative effect to the overall business operations due to the sharp decline in GDP growth from 3.7% in Q1 to 1.1% Q2 2019.
Political uncertainty	Moderate	Political uncertainty prevails during most part of the last financial year has caused policy uncertainty resulting slow economic and credit growth.
Low economic growth	Moderate	Impact on our overall operations given below; <ul style="list-style-type: none"> ● High credit default risk ● Slow credit growth ● Low disposable income resulting low savings
Information Security Risk	Moderate	Impact on our business is given below; <ul style="list-style-type: none"> ● Risk of data leakage and misuse of Company key information ● Very high investment to safe guard Company data [Data Loss Prevention Solutions]
High volatility in precious metal (Gold) prices	Moderate	● Increase in Gold loan provisions. However, we have taken prudent measures to safeguard the interests of the Company.
Outbreak of COVID - 19	High	This has caused severe disturbances on recoveries, loan disbursements and deposit mobilization.
License cancellations of a few LFCs by CBSL	Moderate	Loss of customer confidence in NBFI sector resulting financial consequences.
Volatilities in the exchange rate [USD/LKR]	Low	Risk is low since we are not exposed to material exchange rate risks

Integrated Risk Management Report

Organization of Risk Management

Risk management at AAF is conducted through a mosaic of interlocking controls by the Board members and officers as detailed above. There are four Committees that have the principal responsibility of risk management of the Company.

Risk Management Framework.



i) Integrated Risk management Committee

The risk management Committee is a Sub Committee of the Board, staffed with a full time risk manager and several other key members of the management. It assesses the medium term risks of the Company and reports to the Board of directors.

ii) Board Appointed Audit Committee

Organizational policies and procedures are supervised by the designated management and reviewed by the Internal Audit Department. The Board appointed Audit Committee is a Sub Committee of the Board, assisted by the Internal Auditor and his staff, who submit their observations to the Committee.

iii) Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO) consisting of several key managers and Executive Director meet monthly to assess short term liquidity and other risks.

iv) Internal Audit department.

Organizational policies and procedures are supervised by the designated management and reviewed by the Internal Audit department. The department consist of qualified AGM and Ten staff members.

Credit Risk:

Credit risk is the potential for loss due to the failure of a counter party to meet its obligations to pay AAF in accordance with agreed terms. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined hierarchy of delegated approval supported by high ethical standards and well established policies and procedures provide a robust framework for the management of credit risk. There is a clear segregation of duties between transaction originators [Marketing Department] in the business units and approves in the credit function [Credit Department]. All credit exposure limits are approved within a delegated credit approval authority framework approved by the Board of Directors. Risk indicators are also set by the company and monitored through the Board of Directors and IRMC on a monthly and quarterly basis.

Credit policies

Company-wide credit policies and procedures are considered and approved by the Board of Directors, with inputs from Credit and Recoveries Departments. The Board of Directors also oversees the delegation of credit approvals and the loan impairment assessment processes through regular reviews. These policies are adequate to reflect the different risk environments and portfolio characteristics of the company. The Board approves changes to the delegated authority levels pertaining to credit as and when considered necessary.

Credit concentration

The risk of loss due to the concentration of credit risk to a specific product, asset class, sector, geographical area or counter party. Credit concentration risk is managed within limits set for counter party or groups of connected counter parties, asset type, industry sectors, etc. Credit concentrations are monitored by Credit Committee and IRMC in each of the product type categories and such limits as material to the company are reviewed accordingly. Diversification is an important aspect of our management of risk to ensure that we are not overly dependent upon a particular geographical area/region or asset/product type. The IRMC also reviews the top 20 lending exposures at its' quarterly meetings. Performance of large lending exposures and customers considered as risky too is reviewed periodically through a customer watch list.



Credit monitoring and measurement

We regularly monitor credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends. Portfolio delinquency and loan impairments as well as portfolio quality are constantly monitored by the Recoveries Department. The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which AAF is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the use of a model.

Secured vs Unsecured Portfolio

The company was concentrating mostly on unsecured portfolio with high yielding products such as Micro Finance, Group Personal Loans and Business Loans. However with the changes in the Macro Economic factors the company has changed its strategy and moving towards more secured lending portfolio with products such as Gold Loans, Leasing and Mortgage Loans.

The company has learned over the years that whilst having a diversified portfolio will disperse the risks among many products; having too many products too will pose a risk as it will divert the focus, resources and the attention to many areas weakening overall management of portfolio. Thus the company has adopted a policy of concentrating on core products and curtailing/ discontinuing risky or low yielding products. In this regard we have completely discontinued the Factoring operation successfully closing the facility of our last remaining customer this year.

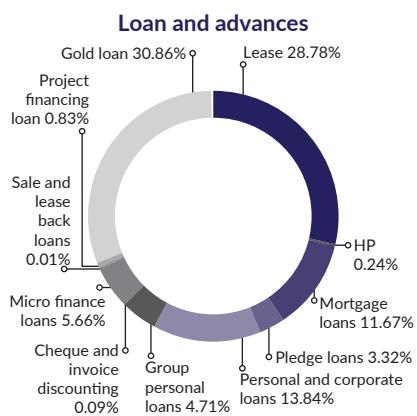
Portfolio Diversification.

The Company uses several criteria to measure the degree of the portfolio diversification in assessing risks. The below chart depicts the current status of the portfolio diversification. AAF may have a large loss despite the loans being distributed in small quantities among a large numbers of borrowers despite the portfolio consisting of agglomeration of small loans. Despite the portfolio diversification; due to excessive industry products or geographical of risks and concentration, it is my considered judgment the Company has acceptable levels to minimize the risk of excessive concentration in addition to the portfolio consisting of agglomeration of a large number of small loans,

Another measure of this diversification of the product wise distribution of the portfolio is presented in the accompanying pie chart. The degree of diversification is important as for example a particular single product group may be impacted

Integrated Risk Management Report

deferentially due to economic conditions. A measure of which indicates project dispersion indicating very low risks to the portfolio by a single default.



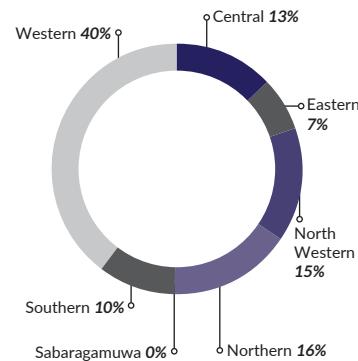
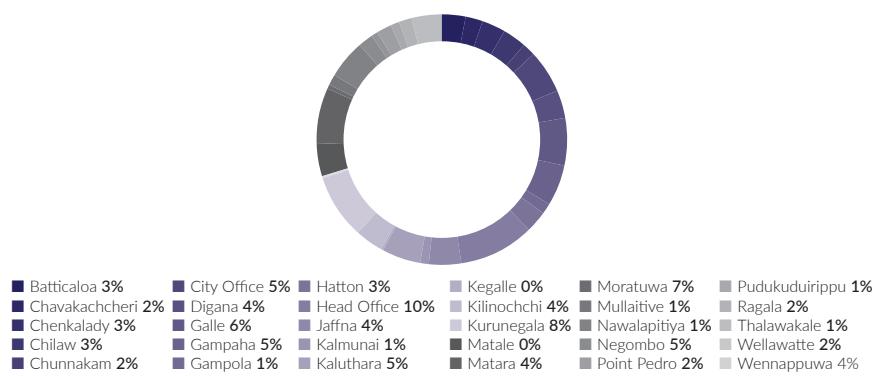
The IRMC periodically review in detail the exposure and status of the top 20 customers in of rank order. The top ten in size represent 5% of the total accommodations, which in turn forms 16% of the shareholders equity. While the top ten accounts for the 5% of the total accommodations, the other measures of risks attempt to assess the remaining 95%,

Geographical concentration risk.

Tracking geographical distribution of portfolio is important to avoid risks associated in location concentrations of accommodation. The goal is to avoid having excessive concentrate of risks in a single geographical area due to weather conditions, natural disaster, regional economic conditions, regional political uncertainties and regional ethnic tensions.

The following chart depicts the current geographical distribution of the portfolio.

It may be noted that 10% of the loans originate in Head office branch and a further 9% in Kurunegala and 8% in Moratuwa.



MARKET RISK

Market risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities are considered under this. The objective of our market risk management is to obtain the best balance of risk and return whilst meeting customer requirements.

Managing market risk is a key priority given the volatile nature of the market and frequent policy changes that can have an adverse impact on the Company's line of businesses. This is the risk that the value of the portfolio will decrease due to change in value of the market risk factors. These are due to changes in interest rates, exchange rates, equity prices, commodity

prices and so on. An effective pricing policy is in place to monitor and fix the lending rates to maintain a minimum spread in order to maintain company's profitability in line with the budget.

Commodity Risk of the Underlined Security

1. Commodity risk of the underlying.
2. Moral hazard in the transaction due to asymmetry of information.

AAF officials may be unable to detect that the gold being mortgaged is of the right quality and/or the borrower does not have the proper legal title to the asset. Some of these risks are covered through insurance.

Our experience, we believe that Gold Loans are used to finance both for consumption and production activities e.g. along the coastal belt Gold Loans are utilized by the fishing community. This is also the experience of our parent company. As we anticipate our presence in the Gold Loan Market to increase in the coming years. We believe continued presence in gold lending is an important social activity and hope to improve by utilizing modern techniques to manage risks which will transform the industry practices in Sri Lanka.

Managing Gold Loans Exposure

The Company has in place a comprehensive set of a list of mitigation processes to manage gold loans risk. Principals secured together with accrued interest secured on gold, Consist of approximately 21% of the total portfolio. The control system consists of:

- i) The organizational and administrative controls.
- ii) Regular systematic audits.
- iii) Training and Technology transfer.

The technical support from Muthoot Finance comes in many forms, including classroom training; onsite training of management; and training of management staff in India and adoption of audit and other processes practiced by Muthoot Finance in India.

Muthoot audit staff also makes 'on site' visits in Sri Lanka to train and develop our staff and conduct physical verification of gold items, including checks based on statistical Risk Management techniques.

Gold loan provisioning Policy

AAF conducts an automated process of reviewing each and every accommodation, on the basis of the total amount lent accumulated interest, value of security based on current market prices; value at risk; to accommodate impact of a potential drop in the value of any of the security due to a drop in commodity price.

The process is carried out on a monthly basis. This provides information to the management to rapidly respond to a potential of defaulters, and to create adequate buffer for losses via a provision; and by speedy disposal and auction of gold and prompt disposal of the security of defaulting clients.

As at 31st March 2019, the Gold Loan portfolio did not require any provisions. The provisioning policy is based on the market

value of secured gold at current market prices, less potential of fall in gold on commodity price volatility computed on the basis of 50 years data at a 95%, certainty level for a period of one month; a technique based on the concept of value at risk.

AAF conducts prompt auctions of mortgaged gold of defaulters, and to date several auctions have been conducted without any losses to AAF. One of the principal tools of managing Gold Loan risks is the loan to value ratio. AAF does not provide loans at the full value of the Gold Mortgage. Currently AAF lends only 84% of the value of gold. This portion is reviewed from time to time based on expert opinion on commodity price. This in effect creates a buffer for the paid interest in case of default and a buffer for a drop in value of the underlined security due to a drop in commodity price.

Operational Risk:

The risks of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events comprise Operational Risks. We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. The Board appointed Audit and Integrated Risk Management Committees oversee the management of operational risks including information technology and legal, across the network and at the centre, with the support of the Internal Audit Department which is separate from the business functions. In addition, the Audit Committee

Integrated Risk Management Report

also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with assurance that operational risks are being proactively identified and effectively managed. All business units are responsible for maintaining key performance standards for operational risk management. Possible losses to the company's assets due to unforeseen events have been covered with comprehensive insurance policies.

Liquidity Risk:

Liquidity and funding risk is the potential that the company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Policy, framework and governance

The company has in place a robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk. This ensures that the company always maintains sufficient, eligible and appropriate financial resources to meet its future financial commitments as they fall due. Our Statement of Financial Position and liquidity have remained strong and we surpass the regulatory liquidity thresholds comfortably. It is our policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due.

Diversification of the company's funding base is central to our management strategy. Customer deposits provide stable funding to support majority of our lending. We access a diversified funding base by way of

debt instruments such as Securitization and Bank Loans on an unsecured and secured basis as part of our diversification strategy. These sources of funding are complementary to the company's customer deposit mobilizing activities. We maintain a contingency funding plan by way of undrawn approved bank lines.

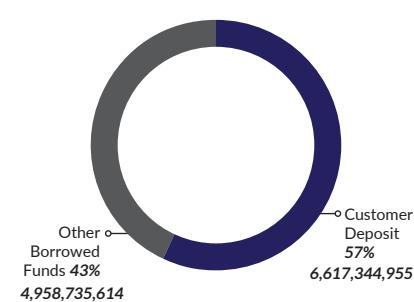
Liquidity measurement and monitoring

Liquidity risk is monitored regularly by the Asset and Liability Committee (ALCO) of the Company. Which meets once a month to discuss future cash flows and to do a maturity analysis of Assets and Liabilities which are reviewed accordingly. In order to maintain the required liquidity the committee has introduced sound policies to minimize the risk.

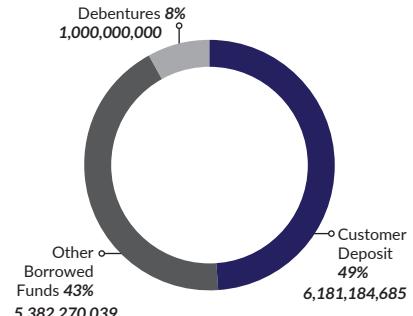
During the year, the Company altered its borrowing structure by greater utilization of securitization of receivables and direct borrowings from the banks. The attached pie chart illustrates the shift in the borrowing structure, which also allows the Company to better keep the duration of its assets and liabilities.

Liquidity risk is measured and assessed on a regular basis at the Head Office level. The company uses a set of internal and regulatory metrics and analysis to assess liquidity risk. We manage liquidity risk, taking both short and medium-term requirements into consideration. In the short-term, our focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and bank funding where required. In the medium-term, the focus is on ensuring a structurally sound statement of financial position. ALCO is the responsible monitoring body that oversees our liquidity management policies.

Borrowing Structure as of 31.03.2019



Borrowing Structure as of 31.10.2020



The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at our monthly ALCO meetings. The pricing of deposit maturities is done in a way to curb the maturity mismatches between our lending and borrowing portfolios.

Maturity Mismatch

Maturity mismatch is one of the most significant risks with financial institutions, particularly as they lend long and borrow short. This risk is measured on a monthly basis by the ALCO and reviewed quarterly by the IMRC.

In addition to the above, the ALCO also considers environmental shocks due to economic and other changes in the environment, e.g. issues relating to other changes in the environment, weather conditions, such as drought or flooding.

Capital Risk

Our approach to capital management is driven by our strategic and organizational requirements, taking into account the regulatory, economic and commercial environment in which we operate. We aim to maintain a strong capital base to support the risks inherent in our business. For regulatory purposes, our capital base is divided into two main categories, namely Core Capital (Tier 1) and Total Risk Weighted Capital.

Capital Adequacy is one of the critical aspects of risks inherent in a Finance Institution. Capital Adequacy provides the investors with a confidence of the capacity of the Financial Institute to raise more debt funding; and the ability to absorb a shock in case of default. The Capital Adequacy Ratio of AAF is 15.64%, which is very high compared to the Central Bank mandated level of 10%. It appears that AAF's has a robust capacity to absorb significant external shocks and to raise significant amounts of debt capital; and enhance its profitability and improve its growth

trajectory and continue to exploit its lending opportunities and improve its rate to the shareholders in the future.

Strategic Risk

Strategic risk is the potential for opportunity losses from failure to optimize the earning potential of the company. The company continuously follows developments taking place in the business environment and formulates its strategies to optimize the opportunities available whilst attempting to manage risks associated with such strategies. Business strategies are adopted after evaluating the overall risks associated with such strategies. A comprehensive strategic plan for the next three years is in place with quantitative targets. Risks in achieving such targets have also been mapped and are monitored continuously.

Reputational Risk

Reputational risk is the potential damage to the company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the company or its actions. Reputational risk could arise from the failure of the company to effectively mitigate the risks in its businesses including credit, liquidity, market, regulatory, legal or other operational risks. Damage to the company's reputation could cause existing clients to reduce or cease to do business with the company and prospective clients to be reluctant to do business with the company. All employees are responsible for day-to-day identification and management of reputational risk. Reputational risk may also arise from a failure to comply with environmental and social standards. Our

primary social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have mechanisms in our origination and credit processes to identify and assess social risks. We have also consciously not engaged in certain business lines to avoid social risks. A comprehensive list of legal and regulatory compliance is tabled at monthly board meetings. Compliance to rules and regulations by the subsidiary companies are obtained on a quarterly basis and tabled at IRMC meetings to manage reputational risk, which could arise from the activities of other group companies

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Asia Asset Finance PLC have the pleasure in submitting their Report together with the Audited Financial Statements of the Company for the year ended 31st March 2020.

Principal Activities

During the year the principal activities of the Company was

- i) to carry on the finance business, finance leasing business, Operational leasing, lease purchasing, leasing of all kind of plant, machinery, factories, warehouse, equipment, furniture, and fittings, tools, apparatus, utensils, materials, stock – in – trade and things for any purpose whatsoever.
- ii) To advance or lend money with or without security, upon such terms as may be arranged
- iii) To enter in to Contracts and arrangements with other Companies, firms or persons for the sale or purchase of any goods, vehicles or services,
- iv) To accept time deposit and opening, maintaining and managing deposit.
- v) To guarantee, Indemnity, or become liable for the payment of money or for the performance of any obligation by such other company, firm or person
- vi) To carry on the business of borrowing, raising or taking up of money, the lending or advancing of money either upon or without security.
- vii) To purchase or otherwise acquire , sell , exchange , exploit , develop , turn to account and deal in all kinds of real and personal property in any part of Sri Lanka and any interests therein
- viii) To enter into contracts and arrangements with other Companies, Corporations, Firms, or persons, Government Institutions for promoting and increasing the manufacture, production, sale, purchase and maintenance of all or any movable or immovable properties.
- ix) Subject to the applicable Statutory Regulations, to carry on business as pawnbrokers and moneylenders and as dealers in jewellers and precious stones, gold, silver and plated articles, articles of virtue, coins and medals, and as commission agents and general merchants.
- x) To carry on any other business which is capable of being conveniently carried on in connection with any of these objects
- xi) Subject to the applicable Statutory Regulation, to carry on the business of factors.
- xii) Subject to the applicable Statutory Regulation, to carry on the business of Margin Trading
- xiii) To buy, sell and exchange foreign currency notes and coins, and to encash travelers' cheques subject to the terms and conditions mentioned in permit No. ECD/MC/1015 dated 24.05.2016 issued by the Controller of Exchange as may be altered from time to time

Review of Operations

The chairman's review on pages 12 to 13 which forms an integral part of this report

provides an overall assessment of the financial performance of the Company and describes its affairs and the important events of the year.

A detailed analysis of the operations and financial results are provided in the management discussion and Analysis on page 32 to 42 of this annual report.

Financial Statements

The completed financial statements of the Company has been duly certified by the person responsible for the preparation of the financial statements of the Company have been signed by two Directors on behalf of the Board of Directors and the Auditors and confirm the Company is in compliance with the requirements of the Companies Act No. 07 of 2007. Details are given on pages 98 to 163.

Auditors Report

The Auditor's Report on the Financial Statements is given in pages 98 to 101.

Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are given in pages 112 to 126.

Financial Results

Description	2019/2020	2018/2019
Total Income	3,332,619,279	2,868,765,978
Net Interest Income	1,339,474,988	1,289,294,601
Profit before Taxation	93,316,292	93,907,039
Income Tax Reversal/(expense)	(23,162,926)	7,022,779
Profit after Taxation	70,153,366	100,929,818
Loans and Advances	8,913,047,649	7,453,374,463
Lease rentals receivable and Hire purchase	3,726,488,702	4,102,651,935
Total Assets	15,154,586,490	13,899,494,420
Deposits from Customers	6,585,234,705	6,617,344,955
Total Equity	2,171,452,813	1,952,888,082

Dividends

No dividends have been declared by the Company.

Property, Plant and Equipment

An analysis of the Property, Plant and Equipment of the Company is disclosed in Note 20 of the Financial Statements on 138.

Stated Capital

The stated Capital of the Company as at 31st March 2020 was Rs 1,791,478,691/-

Donations

The Company has not made donations during the financial year under review.

Capital Commitments

Capital commitment is zero for software as at 31st March 2020.

Provisions

Impairment Provision is Rs 1,195,258,050 and Provision for Depreciation is Rs 187,752,446 and Amortization is Rs 22,330,526 as at 31st March 2020.

Provision for the Deffered Tax

The provision for Deffered Taxation is Rs 23,162,926/-

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory dues have been paid up to date, or have been provided for in the Financial Statements.

Contingent Liabilities

Details of contingent liabilities and capital commitments as at 31st March 2020 are set out in Notes 33 and on 150 of the Financial Statements.

Post Balance Sheet Events

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the Financial Statements.

Risk Management and Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risk faced by the Company. The Directors review this process through the Audit Committee.

Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

Directors who held office during the Year

The Directors of the Company during the year were as follows.

Mr. C. Ramachandra - Non-Independent Non - Executive Director

Mr. R.J.A. Gunawardena - Chief Executive Officer

Ms. D. P. Pieris - Independent Non-Executive Director

Mr. R.A.T.P. Perera - Independent Non-Executive Director

Annual Report of the Board of Directors on the Affairs of the Company

Mr. G.M. Alexander - Non-Independent Non-Executive Director

Mr. K.R. Bijimon - Non-Independent Non-Executive Director

Mr. K.G.K.Pillai - Non-Independent Non-Executive Director

Mr. R.A.B.Basnayake -Senior Independent Non-Executive Director

Mr. J. P. D. R. Jayasekara - Independent Non-Executive Director

Alternate Directors

Mr.K.G.K.Pillai - Non-Independent Non-Executive Director

(Alternate Director to Mr.K.R.Bijimon)

Appointments during 1st April 2019 to 31st March 2020

Nil

Resignations 1st April 2019 to 31st March 2020

Nil

Appointments after the conclusion of the year

Mr. Vadakke Anavanghot Prasanth - Non-Independent Non-Executive Director

Resignations after the conclusion of the year

Mr. C. Ramachandra - Non-Independent Non-Executive Director

Directors who held office as at the end of the Accounting period

Mr. C. Ramachandra - Non-Independent Non-Executive Director

Mr. R.J.A. Gunawardena - Chief Executive Officer

Mr. R.A.T.P. Perera - Independent Non-Executive Director

Ms. D. P. Pieris - Independent Non-Executive Director

Mr. G. M. Alexander - Non-Independent Non-Executive Director

Mr. K.R. Bijimon - Non-Independent Non-Executive Director

Mr. K.G.K. Pillai -Non-Independent Non-Executive Director

Mr. R.A.B. Basnayake -Senior Independent Non-Executive Director

Mr. J. P. D. R. Jayasekara - Independent Non-Executive Director

Alternate Directors

Mr. K.G.K. Pillai - Non-Independent Non-Executive Director

(Alternate Director to Mr. K.R. Bijimon)

of the 9 Directors, Mr. R.A.B. Basnayake is an Independent Non-Executive Director and also the Senior Director of the Board.

Directors retiring (at the Annual General Meeting)

1) Mr. D.P Peris retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers herself for re-election in terms of Article 88 of the Articles of Association.

2) Mr. R.A.B Basnayake retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.

3) Mr. J.P.D.R Jayasekara retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.

4) Mr. Vadakke Anavanghot Prasanth who was appointed to office on 27th April 2020 will cease to be a Director and will be eligible for re-election under to Article 94 of the Articles of the Association of the company.

Corporate Governance

The Board of Directors confirm that the Company is compliant with the Finance Companies Direction (Corporate Governance) No.03 of 2008 and section 7.10 of the Listing Rules of the Colombo Stock Exchange.

An Audit Committee, an Integrated Risk Management Committee, a Related Party Transactions Committee and a Remuneration Committee function as Board sub committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows;

Audit Committee as at 31st March 2020

Mr. R.A.T.P. Perera - (Independent Non-Executive Director) - Chairman

Mr. C. Ramachandra - (Non-Independent Non - Executive Director) - Member

Mr. R.A.B.Basnayake - (Senior Independent Non-Executive Director)-Member

Mr. J. P. D. R. Jayasekara - (Independent Non-Executive Director) - Member

Mr. K. G. K. Pillai - (Non-Independent Non - Executive Director) - Member

Integrated Risk Management Committee as at 31st March 2020

Mr. C. Ramachandra - (Non- Independent Non – Executive Director) - Chairman

Mr. R.J.A. Gunawardena - (Chief Executive officer) - Member

Mr. R.A.T.P. Perera - (Independent Non-Executive Director) - Member

Mr. R.D.S. Gunasekara - (Chief Operating Officer) -Member

Mr. K.R. Bijimon - (Non- Independent Non-Executive Director) - Member

Mr. J. P. D. R. Jayasekara - (IndependentNon-Executive Director) - Member

Related Party Transaction Review Committee as at 31st March 2020

Mr. J. P. D. R. Jayasekara - (IndependentNon-Executive Director) - Chairman

Ms. D. P. Pieris - (Independent Non-Executive Director) - Member

Mr. K.R. Bijimon - (Non- Independent Non-Executive Director) - Member

Mr. R.A.B. Basnayake - (Senior Independent Non-Executive Director) - Member

Remuneration Committee as at 31st March 2020

Mr. C. Ramachandra - (Non- Independent Non – Executive) - Chairman

Mr. R.A.T.P. Perera - (Independent Non-Executive Director) - Member

Mr. G. M.Alexander - (Non- Independent Non- Executive Director) - Member

Mr. R.A.B. Basnayake - (Senior Independent Non-Executive Director) - Member

Mr. J. P. D. R. Jayasekara - (*Independent Non-Executive Director*) - Member

IT Committee as at 31st March 2020

Mr. R. A. B. Basnayake - (*Senior Independent Non-Executive Director*) - Chairman

Mr. C. Ramachandra - (Non- Independent Non – Executive)- Member

Mr. R.J.A. Gunawardena - (Chief Executive officer) - Member

Ms. D. P. Pieris - (Independent Non- Executive Director)-Member

Mr. J. P. D. R. Jayasekara - (*Independent Non-Executive Director*)-Member

Credit Committee as at 31st March 2020

Mr. C. Ramachandra - (Non- Independent Non – Executive) - Chairman

Mr. R.J.A. Gunawardena - (Chief Executive officer) - Member

Mr. J. P. D. R. Jayasekara - (*Independent Non-Executive Director*)-Member

Directors' Interest Register

In terms of the Companies Act No.07 of 2007 an Interest Register is maintained during the accounting period under review. This Annual Report also contains particulars of entries made in the Interest Register.

Directors Remuneration and Other Benefits of Directors

Directors' remuneration and other benefits of directors are stated in the Note 41 on pages 158 of the Financial Statements.

Directors' Interest In Shares

Name	No. of Shares as at 31st March 2020		No. of Shares as at 31st March 2019	
	%		%	
Mr. R.J.A Gunawardena	NIL	NIL	NIL	NIL
Ms. D.P. Pieris	60,000	0.048	60,000	0.054
Mr. R.A.T.P. Perera	NIL	NIL	NIL	NIL
Mr. C. Ramachandra	80,000	0.064	80,000	0.073
Mr. G.M. Alexander	NIL	NIL	NIL	NIL
Mr. K.R. Bijimon	NIL	NIL	NIL	NIL
Mr. K.G.K. Pillai	NIL	NIL	NIL	NIL
Mr. R.A.B. Basnayake	NIL	NIL	NIL	NIL
Mr. J.P.D.R. Jayasekara	NIL	NIL	NIL	NIL

Annual Report of the Board of Directors on the Affairs of the Company

Directors' Interest In Contracts

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 41 on 158 of the Financial Statements.

Shareholders Information

The distribution and analysis of shareholdings were as follows;

	As at 31st of March 2020			As at 31st of March 2019		
	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1 - 1,000	1,487	351,976	0.28	1,568	387,074	0.35
1,001 -10,000	510	2,091,340	1.69	576	2,369,157	2.71
10,001-100,000	211	6,657,768	5.36	229	7,312,059	6.70
100,001-1,000,000	24	5,900,376	4.75	23	6,438,701	5.90
1,000,001 & over	7	109,194,073	87.92	6	92,590,027	84.88
Total	2,239	124,195,533	100	2,402	109,097,018	100

	As at 31st March 2020			As at 31st March 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	2,222	33,312,315	26.82	2,384	33,256,929	30.48
Non-Resident	17	90,883,218	73.18	18	75,840,089	69.52
Total	2,239	124,195,533	100	2,402	109,097,018	100

	As at 31st March 2020			As at 31st March 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	2,156	15,545,255	12.51	2,319	16,133,703	14.79
Institutional	83	108,650,278	87.49	83	92,963,315	85.21
Total	2,239	124,195,533	100	2,402	109,097,018	100

20 Largest holders of equity

As at 31st March 2020 and 31st March 2019

NAME	2020		2019	
	No. of Shares	(%)	No. of Shares	(%)
1 Muthoot Finance Limited	90,558,778	72.920	75,465,649	69.173
2 Seylan Bank PLC/Senthilver Holdings (PVT) LTD	7,560,504	6.090	-	-
Seylan Bank PLC/ Dr. Thirugnanasambandar Senthilver	-	-	7,560,504	6.930
3 J.B. Cocoshell (PVT) LTD	4,242,950	3.420	4,242,950	3.889
4 Mr. S.D.R. Arudpragasam	2,460,638	1.980	2,460,638	2.255
5 People`S Leasing & Finance PLC/Mr. W.K.R. Jayakody	1,501,280	1.210	1,501,280	1.376
6 Mr. P.A.D.R.U. Pushpakumara	1,456,934	1.170	1,359,006	1.246
7 Seylan BanK PLC /W.D.N.H. Perera	1,412,989	1.140	716,947	0.657
8 Mr. K.M.S.M. Razeek & Mr. K.S.M. Rajubdeen & Mr. S.M.R. Mohamed	740,000	0.600	740,000	0.678
9 Mutiara Holdings (Private) LTD	510,000	0.410	510,000	0.467
10 Mr. S. Vasudevan & Mrs. V. Saraswathi	509,112	0.410	-	-
11 Mr. C.W. Gunasekara	500,000	0.400	490,000	0.449
12 Code-Gen international PVT LTD	424,118	0.340	424,118	0.389
13 Mr. P.P. Subasinghe	302,623	0.240	302,623	0.277
14 Mr. C.R. Perera	274,999	0.220	274,999	0.252
15 Merchant Bank of Sri Lanka & Finance PLC/W.K.R. Jayakody	234,928	0.190	-	-
16 DFCC Bank PLC/Mr. K.S.D. Senaweera	233,603	0.190	335,000	0.307
17 Sampath Bank PLC /Mr. Abishek Sithampalam	229,389	0.180	-	-
18 Mr. U.C. Bandaranayake & Mrs. L. Bandaranayake	200,000	0.160	200,000	0.183
19 Mr. T.S. salim	197,495	0.160	197,495	0.181
20 Mrs. M. Arudpragasam	174,262	0.140	174,320	0.160
	113,724,602	91.570	96,955,529	88.869
Other	10,470,931	8.430	11,716,000	10.741
Total	124,195,533	100.000	109,097,018	100.000

SHARE PRICES FOR THE YEAR

	As at 31/03/2020	As at 31/03/2019
Highest during the year	Rs. 9.50 (29-11-2019)	Rs. 9.00 (29-03-2019)
Lowest during the year	Rs. 5.50 (20-03-2020)	Rs. 0.80 (31-01-2019 & 31-12-2018)
As at end of the year	Rs. 5.50	Rs. 8.40

Annual Report of the Board of Directors on the Affairs of the Company

Public Shareholding

Public Holding Percentage as at 31st March 2020 being 26.971% comprising of 2,235 shareholders

Annual General Meeting

The notice of the Annual General Meeting is on page 170.

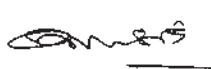
Auditors

The Financial Statements for the year ended 31st March 2020 have been audited by Messrs. BDO Partners (Chartered Accountants) who offer themselves for reappointment. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

The Auditors Messrs.BDO Partners, Chartered Accountants were paid Rs 2,209,227 as Audit fees by the Company.

A resolution relating to their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



V. A. Prasanth
Chairman



R.J.A. Gunawardena
Director/Chief Executive Officer



P.R. Secretarial Service (Private) Limited
Secretaries

30 November 2020

Responsibility of the Directors for the Company's Financial Statements

The responsibility of the Directors for the company's financial statements is set out in the following statement. The responsibility of the auditors with respect to the financial statements drawn up under the rules of Company Act No.07 of 2007, is set out in the report of the professional auditors published on page The directors are needed by Company Act No.07 of 2007 to file financial statements for each financial year, providing a accurate and reasonable view of the results of the finances of the company.

The Directors confirm that the company's financial statements for the year ended 31 March 2020 have been prepared and submitted in accordance with the Sri Lanka Accounting Standards and Companies Act No.07 of 2007. Appropriate accounting policies have been selected and applied consistently in the preparation of the financial statements, while reasonable and prudent judgments and estimates have been made.

The Board of Directors of Asia Asset Finance PLC ('Board') are responsible for the recognition and oversight of the company's business priorities and corporate principles. We must insure that these techniques are conveyed to the company, partners, borrowers and creditors. That institutional duty continues to include the total compliance strategy and risk control practices for at least the next three years. The Board 's responsibilities often apply to the study of the organizational framework and operation of the company.

The leadership of the organisation must be supervised and reviewed on an regular

basis, culminating in the selection of competent and skilled staff whose role must be established in order to assess and oversee the strategies, management and strategic goals of the enterprise. This periodic assessment of the company will help in the identification and appointment of the Board of Directors and other personnel to various roles in the hierarchy. The preferences of all employees shall be communicated and shall contribute to less conflicts of interest between these individuals, their benefits and the business. Such appraisal will result in a dynamic team comprising personnel from various areas comprising experience, covering a broad variety of institutional and company dimensions.

The Board must also draw up and implement a succession plan for key management personnel. Communication of such plans, risk policies and other strategic objectives requires regular meetings of the Board of Directors. The appointment of auditors is the responsibility of the Board to insure that a independent entity without a financial interest in the company investigates its activities or properties and evaluates the actions of the employees and the business in depth on a daily basis. Such a summary shall be conveyed to all stakeholders with an involvement in the activity of the business in order to increase accountability and trust in the organization and these individuals.

The Board of Directors shall be empowered to appoint a Chairman and Chief Executive Officer following the 2009 Corporate Leasing (Corporate Governance) Branch No. 04. The Board should obtain professional

counsel and assistance to support the Board in the discharge of its duties. The procedure for receiving such assistance could, however, be resolved by the Board. The independence of the Directors could be maintained by ensuring that the Director, who has a direct or indirect interest, whether monetarily or personally, could abstain from voting for a decision of the Board on such a matter, and that the Director would not be considered to constitute a quorum. Those matters may be officially accepted by the Board to be beyond their decision-making boundaries.

The Board shall immediately inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the establishment concerned, before taking any decision or act, if it considers that the establishment concerned is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors. The Board shall submit an regular organizational governance study in accordance with this Directive in the financial report of the organization concerned. The Board is liable for ensuring that the firm keeps correct records on all activities and files financial statements for each financial year, and provides a accurate and reasonable representation of the state of affairs of the corporation during that year, and is a contractual requirement under Section 150 of Company Act No.07 of 2007. The Board shall adopt a self-assessment scheme to be carried out by each director on an annual basis and keep records of such assessments.

Responsibility of the Directors for the Company's Financial Statements contd.

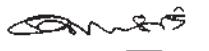
The Directors adopted the "going concern basis" in the preparation of the Financial Statements. Having checked the Group's operating strategy, the Directors are confident that the organization has ample capital to continue to work.

The Directors also confirm that, to the best of their knowledge, all taxes and levies payable by the Group, all contributions, levies and taxes payable on behalf of and in respect of employees, and all other statutory obligations, including retirement allowances due on the Balance Sheet date, have either been duly paid or have been appropriately provided for in the Financial Statement.

On behalf of the Board of Directors;



R.J.A. Gunawardena
Director/Chief Executive Officer



V. A. Prasanth
Chairman

Directors' Statement on Internal Control over Financial Reporting

This report on internal control has been presented in accordance with section 10.2.b of the Finance Companies (Corporate Governance) Direction, No 03 of 2008 and the Corporate Governance - Amendment Direction No 06 of 2013.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Internal Control mechanism in place at Asia Asset Finance PLC ("Company").

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

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

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting.

The Company has appointed its own Internal Audit team which reviews the Company's compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis. The annual audit and the internal audit reports are approved by the Board

Audit Committee at periodic meetings. The Internal Audit team has been strengthened subsequent to the end of the financial year.

In assessing the internal control over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit team of the Company for suitability of design and effectiveness on an on-going basis. In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements on processes to comply with new requirements of recognition, measurement, classification and disclosure are being made whilst some processes as at reporting date were not fully completed.

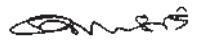
Confirmation based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance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

External Auditor's review of the statement

The External Auditor has reviewed the above "Report of the Board on Internal Control" for the year ended 31st March, 2020 included in the annual report of the company. They reported to the Board that nothing had come to their attention that

caused them to believe that the statement was inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Company over financial reporting.

By order of the Board



V.A. Prasanth
Chairman/Director



R.J.A. Gunawardena
Director/Chief Executive Officer



Thusitha Perera
Director/Chairman Audit Committee

30 November 2020

Remuneration Committee Report

Composition

The Remuneration Committee appointed by the Board of Directors includes the following Directors:

- Mr. C. Ramachandra (Chairman)
- Mr. R.A.T.P. Perera
- Mr. G.M. Alexander
- Mr. R.A.B. Basnayake
- Mr. J.P.D.R. Jayasekara

The Chairman of the Committee, Mr. C. Ramachandra, Mr R.A.T.P Perera, Mr R.A.B Basnayake and Mr. J.P.D.R. Jayasekara are Independent Non-Executive Directors.

Remuneration Policy

The Asia Asset Finance Remuneration Policy aims to draw, motivate and retain talent in a competitive environment. The policy aims to ensure that the total remuneration package is adequately competitive to attract the best talent from the industry.

The Company's remuneration framework for the Chief Executive Officer, Directors and Corporate Management Team is structured to identify the contributions made by them and to remunerate appropriately. The policy further takes into consideration both short-term and long-term objectives of the Company when finalizing incentives.

Scope

The Remuneration Committee evaluates and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Chief Executive Officer and the members of the Senior Management in addition to recommending the Directors fees payable to Non Executive Directors.

The Chief Executive Officer, who is responsible for the overall management of the Company, attends meetings by invitation and participates in evaluations except in instances where his own interest, performance and compensation packages are discussed.

The Committee also evaluates and recommends the bonuses and special performance allowances pertaining to the Management level against key performance indicators and goals set out at the beginning of the year. The succession plan in the Company is also evaluated by the Committee.

Fees

All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on sub-committees.

Committee Meetings

A formal meeting of the Committee takes place whenever necessary. During the financial year 2019/20, the Committee met on two occasions.



C. Ramachandra
Chairman
Remuneration Committee

05 June 2020

Audit Committee Report

Role of the Audit Committee

The role of the Audit Committee is to assist the board of directors to oversee the financial reporting system, Internal Control mechanism, Internal Audit function and review of independence and performance of External Audit related affairs of the Company, with a view to safeguarding the interest of the shareholders and all other stakeholders.

Committee Composition

The Board appointed Audit Committee comprises of five Non-Executive Directors of whom four are Independent Directors. The Chairman of the committee is Mr. Thusitha Perera who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. A brief profile of the members of the audit committee is given in the page no xxx.

The members of the board appointed audit committee are:

Mr. Thusitha Perera (Chairman)	INED
Mr. C. Ramachandra	INED
Mr. R. A. B. Basnayake	INED
Mr. J. P. D. R. Jayasekara	INED
Mr. K. G. K. Pillai	NED

*INED - Independent Non Executive Director

**NED - Non Executive Director

The Committee's composition met the requirements of the rule 7.10.6 of listing Rules of the Colombo Stock Exchange.

Terms of Reference

The Audit Committee has terms of reference, dealing with its authority and duties, which is established for the purpose of assisting the Board of Directors to effectively carry out its responsibilities relating to financial and other connected affairs of the Company.

The Committee is responsible and reports to the Board of Directors.

The Committee is empowered to:

- Examine any matter relating to the financial and other connected affairs of the Company.
- Make recommendations to the Board of Directors on matters connected with engagement, re-engagement, partner rotation period, removal, and audit fees of External Auditors.
- Monitor all Internal and External Audit inspection programmes.
- Review Internal and External Audit Reports and follow up on recommendations.
- Review the efficiency of internal control systems and procedures, in place.
- Review the quality of Accounting Policies and their adherence to statutory and regulatory compliance.
- Ensure that a well-managed sound financial reporting system is in place to provide timely, reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.

- Ensure Company policies are firmly committed to the highest standards of good corporate governance practices and that operations conform to the highest ethical standards, in the best interests of all stakeholders.

Rules on Corporate Governance under "Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

Meetings

The Committee held five meetings during the year to discuss the matters coming under their review. The attendance of the members at the meeting is as follows,

No. of Meetings Attended	
Mr. Thusitha Perera	5/5
Mr. C. Ramachandra	5/5
Mr. R. A. B. Basnayake	4/5
Mr. J. P. D. R. Jayasekara	4/5
Mr. K. G. K. Pillai	4/5

The formalized minutes of the Committee meetings with details of matters discussed are regularly tabled at Board meetings.

Audit Committee Report

The Director/CEO, COO and AGM Internal Audit are invited to attend all meetings. The Committee also invited members of the Senior Management of the Company to participate in the meetings as and when required.

The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration.

The Company Secretary functions as Secretary to the Audit Committee.

Financial Reporting

The Committee reviewed the effectiveness of the financial reporting system in place to ensure that the information provided to the stakeholders is reliable and is in strict adherence and compliance with the requirements of the Sri Lanka Accounting Standards and disclosure requirements and complies with the statutory provisions of Companies Act No 07 of 2007 and Finance Business Act No 42 of 2011. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well monitored.

Independence and objectivity of the External Auditors

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity. The committee has also received a declaration from the external auditors as required

by the Companies Act No 07 of 2007, confirming that they do not have any relationship or interests in the Company, which may have a bearing on their independence.

Prior to commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The audit results were discussed at the conclusion of the audit, where the committee reviewed and approved the annual financial statements.

The external auditors were also provided with the opportunity of meeting Non - Executive Directors separately, without any executive being present, to ensure that the auditors had the independence to discuss and express their opinions on any matter which provided assurance to the committee that the management had fully provided all the information and explanations with full access to all relevant areas requested by the auditors.

The committee reviewed the non-audit services provided by the external auditors, with a view to ensure that such functions do not impair the external auditors' independence and objectivity.

The audit committee also reviewed the external auditor's management letter of the previous year with the management's responses thereto.

The committee has recommended to the Board of Directors that re-appointment of Messrs. BDO Partners as the independent External Auditor for the financial year

ending 31st March 2021 and that the re-appointment together with the fees of the external auditor to be included in the Agenda of the Annual General Meeting to be approved by the Shareholders of the Company.

Regulatory Compliance

The Company's procedures in place to ensure compliance with mandatory Finance Company and other statutory requirements were under close scrutiny. The committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No 42 of 2011 and other reporting requirements of CBSL, SEC and CSE regulations.

Internal Audit

The Audit Committee exercises oversight over the internal audit function. The Committee approves the annual internal audit programme and follows up on the progress during the year. Internal audit reports are presented and reviewed on a regular basis. Issues are raised with a risk rating to ensure more attention is given to high-risk areas. These reviews examine management's responses to the issues raised and recommendations to overcome the issues and the implementation plans. The processes and the frequency of audits are dependent on the risk level, with higher risk areas being audited more frequently with greater focus. The Committee also ensured that the internal audit function is independent of the activities it audits and that the functions are performed with impartiality, proficiency and due professional care.

Internal Controls

The audit committee assessed the effectiveness of the internal controls and procedures for controlling business risk including the controls relating to the use of information technology and is of the view that adequate controls and procedures are in place to provide a reasonable assurance to the board that the assets of the Company are safeguarded and the financial position of the Company is well monitored.

The Committee also regularly reviews the Internal Control Procedures in place to ensure that the necessary controls and mitigating measures are available in respect of the newly identified risks.

Core Business System

During the period under review, the Company completed the migration process to a new core business application which was commence in the previous year. The committee reviewed the programme of inspection formulated by Internal Audit in order to assess the effectiveness of the systems change over and data migration process of the new core business system implementation project. The reviews carried out by Internal audit department on key project milestones during the system migration process in order to assess the effectiveness of project governance process, implications on key business processes, internal controls and the financial statement preparation process received the attention of the committee. The audit observations and recommendations were given due attention and guidance provided by the committee to ensure smooth implementation.

Whistleblowing Policy

During the period under review, the company put in place the whistleblowing policy and all members of the staff were educated and encouraged to practice Whistleblowing if they suspect any wrong doing. All appropriate procedures are in place to conduct independent investigations in to incidents reported through whistleblowing or identified through other means. The policy guarantees the maintenance of strict confidentiality of the whistleblowing.



Thusitha Perera

Chairman
Audit Committee

25 June 2020

Related Party Transactions Review Committee Report

The Committee Comprises of the following Directors

- Mr. J.P.D.R. Jayasekara (Chairman/ Appointed on 20th March 2018)
- Mrs. D.P. Pieris (with effect from 20th March 2018)
- Mr. K.R. Bijimon
- Mr. R.A.B. Basnayake (Appointed on 20th March 2018)

The Role of the Committee

The Committee is entrusted with the responsibility

* To ensure that any related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties.

* To ensure proper review and approval is carried out by the Committee either prior to the transaction being entered into or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

* To monitor disclosure of transactions between the Company and any of its Related Parties as required in compliance with legal and / or regulatory requirements stipulated by the Listing Rules of the Colombo Stock Exchange, Central Bank of Sri Lanka and Sri Lanka Financial Reporting Standards.

* To monitor financial accommodations granted to Key Management Personnel, major shareholders and Related parties.

* To monitor business transactions with institutions where the Directors of the Company have an interest either as Directors or major shareholders.

* To monitor that all related party transactions are transactions on normal commercial terms and not prejudicial to the interests of the Company or its minority shareholders.

Meetings

The Committee met four times during the year to review and discuss related party transactions. The minutes of the meetings were submitted to the Board of Directors.

Activities of the Committee During the Financial Year

The Committee discussed existing transactions with related parties, and recommended the procedure to be followed for future transactions. The Committee is in the process of developing policies and procedures to identify related parties prior to transactions, seek approval where necessary and to report in compliance with regulatory and / or legal requirements.

J.P.D.R. Jayasekara
Chairman
Related Party Transactions Review
Committee

25 June 2020

Compliance Review

Compliance forms an important part of governance and risk management.

With a very well-established business, we are responsible for compliance with the laws of the land and the laws and regulations laid down by the government of Sri Lanka and various regulators to the citizens of this country and all our stakeholders. Our partnerships with the Sri Lankan government and the related authorities, such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission, are almost always pleasant and favourable.

The leadership of the company maintains that the workers tasked with the responsibility of communicating with regulators are well educated and experienced in their fields of employment. It is essential that they will work together, follow regulatory standards, and provide information as required and work with the utmost consideration, attention and urgency. The Business remains in close contact with the Central Bank of Sri Lanka, the Securities and Exchange Commission and the Colombo Stock Exchange, as well as with other national regulatory bodies, offering, upon request, the required details while upholding high financial reporting standards.

The Corporation and its business practices are analyzed for future regulatory threats that may result from their systems, procedures and market environments, among other things. The Compliance Department is driven in the execution of its activities by the Compliance Protocols and Standards of Corporations, specifically laid out in the accepted Compliance Policy of the Board, which is reviewed periodically

and revised if and when appropriate. The Compliance Officer is an important part of the internal management system in which compliance policies and protocols (including best practices) are created.;

- Ensuring the practice of the guidelines of the Central bank of Sri Lanka and other regulatory bodies and enhance the Corporate Governance of the company.
- Developing compliance policies and procedures (including best practices);
- Monitoring and reporting on compliance-related activities across the Company;
- Assisting in the conduct of internal investigations, where required;
- Evaluating that appropriate training is provided to employees on compliance-related practices In addition, the status of Asia Asset Finance PLC's (AAF) overall level of conformity with the directives and guidance released by key regulatory bodies is as follows.

The Central Bank of Sri Lanka (CBSL)

The CBSL Directive No. 02 of 2011 (Reporting requirements) was strictly complied with by the AAF. We have now fully complied with the regulations levied by the Central Bank of Sri Lanka's "Financial Intelligence Unit (FIU)."

Securities and Exchange Commission (SEC)

AAF has fully complied with the directions of the Securities and Exchange Commission.

Colombo Stock Exchange (CSE)

The AAF has fully complied with the rules and regulations imposed by Colombo Stock Exchange (CSE).

In minimizing the risk of compliance resulting from day-to-day activities, the Compliance Unit plays a critical role, thereby protecting the dignity and image of AAF in the eyes of its stakeholders.

In addition, the AAF's approach to enforcement is a reactive approach aimed at developing a business culture that prevents future violations by increasing awareness and training staff before they occur. To this end, the internal audit carries out the requisite investigation tasks on a routine basis, tracks enforcement and conducts sporadic audits. The head of the appropriate division shall enforce the recommendations pertaining to these operations. The HR Department is concerned with guidelines leading to administrative action. In line with the notion of a robust risk management scheme, these systems are strongly interrelated.

With all legislative and regulatory enforcement criteria for 2019/20 being met, these measures have proven effective. In comparison, the Compliance Department's proactive actions meant that a high degree of consistency across AAF was witnessed, yielding tangible benefits that will benefit stakeholders today and in the future.

Integrated Risk Management Committee Report

The Composition of the Committee

The Integrated Risk Management Committee (IRMC) functions as a Board Sub-Committee in compliance with Sections 8 of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 with board approved terms of reference.

The IRMC is entrusted with the responsibility to assist the Board to oversee the Risk Management framework of the Company, set the risk appetite and to determine the appropriate tolerable limits, monitor the limits continuously for effective risk management and to overlook the Compliance Function of the Company.

The Committee comprised of the following members,

- Mr. C. Ramachandra (Chairman)
- Mr. Thusitha Perera
- Mr. J.P.D.R. Jayasekera
- Mr. Rajiv Gunawardena (Director/CEO)
- Mr. Roshan De Silva Gunasekera (Chief Operating Officer)
- Mr. K.R. Bijimon

The Committee is responsible and reports to the Board of Directors. Mr. Thusitha Perera and Mr J.P.D.R. Jayasekera are Independent Non Executive Directors.

Terms of Reference

The main objective of the IRM Committee is to assist the Board of Directors to effectively carry out its responsibilities relating to financial and other connected affairs of the Company.

The main responsibility of the Committee is to assess risks faced by the company such as credit risk, market risk, liquidity risk, operational risk and strategic risk. In fulfilling its duties, the Committee covers the following areas.

The Committee is empowered to:

- Review the quality of the credit portfolio including delinquency monitoring and adequacy of the allowances for impairment.
- Review the Credit and Funding Concentrations Risks.
- Review financial performance and the Capital Adequacy of the Company
- Review the Asset and Liability Management Policy including the specific risk limits and monitoring the compliance.
- Review progress on operational risk throughout the Company.
- Review of Business Continuity and Disaster Recovery Plan related issues.
- Assess adequacy and effectiveness of Management Committees, namely Credit Committee and Asset and Liability Committee (ALCO)
- Review the Company's Compliance with laws and regulations

- Propose appropriate measures for corrective action as part of the risk mitigation process.

Meetings

The Committee held five meetings during the year under review.

Senior Management staff also attend meetings as and when required. The proceedings of the IRM Committee meetings are regularly reported to the Board of Directors.

Regulatory Compliance

The Company's procedures in place to ensure compliance with mandatory Finance Company and other statutory requirements were under close scrutiny.



C. Ramachandra
Chairman
IRM Committee

05 June 2020

Information Technology Committee Report

The Composition of the Committee

The Information Technology Committee (IT.C.) shall act as Sub-Committee of the Board of Directors under the terms of reference authorized by the Board of Directors. The Information Technology Committee (I.T.C.) has been set up to educate the Chairman and the Board of Directors on present and potential information management matters. This supports the Board with handling and monitoring the company's computer infrastructure relevant concerns. The committee consists of the following members,

- Mr. Rajitha Basnayake (Chairman)
- Mr. C. Ramachandra
- Mrs. D P Pieris
- Mr. J.D.P.R Jayasekara
- Mr. Rajiv Gunawardena (Director/ C.E.O.)

The committee is responsible and reports to the Board of Directors. Mr. Rajitha Basnayake, Mr. Ramachandra, Mr. J.D.P.R. Jayasekara, and Mrs. D P Pieris are Non-Executive Directors.

Terms of Reference

Through offering guidance and appropriate advice and discussion, the Board of Directors supports the Board of Directors in the successful execution of its duties in the area of information technology in the business.

I.T.C. monitors the formulation and implementation of the company's I.T. strategy and evaluates the strategic

alignment, value-added, resource management , risk management and performance management of the company's I.T. business strategies and functions.

The committee has been empowered to:

1. Guide the overall I.T.strategy and monitor progress
2. Review I.T.capital and annual expenditure budgets and significant I.T.investment decisions,before them being sent to the Board of Directors for approval
3. Review formulations and amendments to I.T.policies and procedures and periodically assess the effectiveness of implementation and adherence
4. Scan emerging technology and its potential use for competitive advantage and risk mitigation.

Meetings

The committee held two meetings during the year under review.

Assistant General Manager – Information Management should be asked to join such sessions. Senior management personnel may also be eligible to engage in I.T. Meetings when and when appropriate. The results of the I.T. sessions. The Committee shall be presented to the Board of Directors. The minutes of the meetings of the Committee shall be presented and ratified at the meetings of the Board of Directors and the approval of the Board of Directors shall therefore be obtained for the implementation of the recommendations made by the Committee.

Move on unresolved problems will be taken on a daily basis.

Key Activities during the period under review

The I.T. was reviewed by the Committee. Corporate strategy, along with strategies designed to meet the company's strategic development objectives. Increased expenditure to improve business IT. Application infrastructure, technology structure and online solutions to developing customer touch points are prioritized and evaluated in reaction to a fundamental change in consumer behaviour in the financial services industry.

During the time under examination, the corporation successfully transitioned core market processes and back-end financing and related functions to a modern hybrid enterprise model from a leading supplier of N.B.F.I. Industry solutions. The Committee examined the actions of major project achievements and progress updates and, where appropriate, made recommendations. The I.T. Leader. The Subcommittee sent periodic reports to the Board of Directors at the meeting of the Board of Directors. The Committee also reviewed the important I.T. Capital and recurrent expenditure items proposed for procurement and recommended for approval by the Board of Directors.

Rajitha Basnayake
Chairman
Information Technology Committee

05 June 2020





Financial Information

Independent Auditor's Report



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Chartered Accountants
“Charter House”
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

TO THE SHAREHOLDERS OF ASIA ASSET FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asia Asset Finance PLC (the “company”), which comprise the statement of financial position as at 31st March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 107 to 163.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31st March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the

Financial Statements section of our report. We are independent of the company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Impairment of loans and receivables

The company's gross loans and receivables amount to Rs. 13.83 billion as at 31st March 2020 (2019: Rs. 12.56 billion) and impairment allowance for the year amounts to Rs. 382 million at 31st March 2020 (2019: Rs. 358 million).

The company measures the impairment of loans and receivables using expected credit loss (“ECL”) model as per SLFRS 9: Financial Instruments (“SLFRS 9”). The application of this standard requires management to exercise significant judgments in the determination of expected credit losses, including those relating to loans and receivables. Management applies significant judgment in the determination of estimated future cash flows, probabilities of default and forward looking economic expectations.

Given the outbreak of COVID-19 in the last quarter of the financial year and the resulting uncertainty as to the economic and financial market impact, significant judgment was required to be exercised by the company in calculating the ECL. Specifically, this includes judgments around the impact of COVID-19 on forward looking information, considering potential macroeconomic outcomes that may impact future expected credit losses.

Due to the significance of loans and receivables and the significant estimates and judgment involved, the impairment of these loans and receivables was considered to be a key audit matter.



The impairment provision is considered separately on an individual and collective impairment basis.

In calculating the impairment provision on a collective basis, statistical models are used. The following inputs to these models require significant management judgment:

- the probability of default (PD);
- the exposure at default (EAD);
- the loss given default (LGD); and
- the effective interest rates.

In assessing loans and receivables on an individual basis, significant judgments, estimates and assumptions have been made by management to:

- Determine if the loan or advance is credit impaired;
- Evaluate the adequacy and recoverability of collateral;
- Determine the expected cash flows to be collected; and
- Estimate the timing of the future cash flows.

The disclosures associated with impairment of loans and receivables are set out in the financial statements in the following notes:

- Note 7 – Impairment charge for lease rentals receivables, hire purchase and loans and advances

- Note 14 - Financial assets at amortised cost – Loan and advances
- Note 15 - Financial assets at amortised cost – Lease rental receivables and hire purchase

How our audit addressed the key audit matter

Our procedures included the following:

- We obtained an understanding of management's process and tested controls over credit origination, credit monitoring and credit remediation.
- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied by comparing these to the requirements of SLFRS 9: Financial Instruments.
- We test-checked the underlying calculations and data.

In addition to the above, we performed the following specific procedures:

For loans and receivables collectively assessed for impairment:

- We assessed the completeness of the underlying information in loans and receivables used in the impairment calculations by agreeing details to the company's source documents and information in IT systems.

- We also considered the reasonableness of macro-economic and other factors used by management by comparing them with publicly available data and information sources. This included assessing and challenging the reasonableness of macroeconomic scenarios considered and certain forward-looking economic data developed by the company, with particular focus on the impact of COVID-19 in light of certain available information and consensus views.

For loans and receivables individually assessed for impairment:

- We assessed the main criteria used by management for determining whether an impairment event had occurred.
- Where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held.
- We also assessed the adequacy of the related financial statement disclosures.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and the Auditor's Report thereon.

Independent Auditor's Report



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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 SLAuS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuS, 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 an audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to



draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3890.

CHARTERED ACCOUNTANTS

Colombo

03 June 2020

VR/dm

Statement of Profit or Loss and Other Comprehensive Income

	Note	2019/2020 Rs.	2018/2019 Rs.
Interest income	4	3,043,709,078	2,722,660,945
Less: Interest expenses	5	(1,704,234,090)	(1,433,366,344)
Net Interest income		1,339,474,988	1,289,294,601
Net trading loss on held for trading securities		(125)	(9,220)
Other operating income	6	288,910,201	146,105,033
Less: Operating expenses			
Personnel expenses		(310,582,828)	(280,796,890)
Provision for staff retirement benefits		(7,041,239)	(5,272,963)
General and administration expenses		(782,395,544)	(633,317,428)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	7	(381,645,114)	(357,620,797)
Operating profit before value added tax on financial services		146,720,339	158,382,336
Value added tax on financial services		(53,404,047)	(64,475,297)
Profit before income tax	8	93,316,292	93,907,039
Income tax income/(expenses)	9	(23,162,926)	7,022,779
Profit for the year		70,153,366	100,929,818
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)			
Actuarial loss on retirement benefit liability		(2,075,633)	(719,285)
Deferred tax effect on components of other comprehensive income	9	(498,152)	(201,400)
Other comprehensive expense for the year net of tax		(2,573,785)	(920,685)
Total comprehensive income for the year		67,579,581	100,009,133
Earnings per share - basic	32	0.57	0.94

Figures in brackets indicate deductions.

The accounting policies and notes on pages 107 to 163 form an integral part of these financial statements.

Statement of Financial Position

	Note	31.03.2020 Rs.	31.03.2019 Rs.
ASSETS			
Cash and cash equivalents	11	511,939,133	643,777,198
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	12	860,630,696	691,744,740
Financial assets - fair value through profit or loss / held for trading	13	-	125
Financial assets at amortized cost - Loans and advances	14	8,913,047,650	7,453,374,463
Financial assets at amortized cost - Lease rentals receivable and hire purchase	15	3,726,488,702	4,102,651,935
Vehicle stock		-	18,913,569
Other assets	16	16,983,813	16,511,803
Income tax receivable	17	27,736,580	3,732,303
Advances, deposits and prepayments	18	156,189,223	155,155,197
Financial assets - Fair value through other comprehensive income / available for sale	19	506,659	506,659
Property, plant and equipment	20	138,032,482	158,680,580
Right-of-use assets	21	137,210,457	-
Investment property	22	399,678,109	393,818,513
Deferred tax assets	9	225,922,647	249,583,725
Intangible assets	23	40,220,339	11,043,610
Total assets		15,154,586,490	13,899,494,420
LIABILITIES			
Financial liabilities - Due to banks	24	58,777,776	131,273,907
Other liabilities	25	96,622,133	217,163,369
Financial liabilities - Other borrowed funds	26	6,086,325,326	4,958,735,615
Lease liability	27	126,200,873	-
Due to customers	28	6,585,234,705	6,617,344,955
Retirement benefit obligation	29	29,972,864	22,088,492
Total liabilities		12,983,133,677	11,946,606,338
EQUITY			
Stated capital	30	1,791,478,691	1,640,493,541
Retained earnings		303,207,769	239,007,167
Statutory reserve fund and other reserves	31	76,766,353	73,387,374
Total equity		2,171,452,813	1,952,888,082
Total equity and liabilities		15,154,586,490	13,899,494,420
Contingent liabilities and commitments	33	680,417,899	1,832,603,830
Net assets value per share		17.50	18.18

Figures in brackets indicate deductions. The accounting policies and notes on pages 107 to 163 form an integral part of these financial statements.

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

Geethika Elwalage
Deputy General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board.

R.J.A. Gunawardena
Director/Chief Executive Officer

C. Ramachandra
Chairman

Statement of Changes in Equity

As at 31st March 2020	Stated capital Rs.	General reserve Rs.	Statutory reserve fund Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31st March 2018	1,388,935,273	3,000,000	65,386,917	401,610,081	1,858,932,271
Impact of adoption of SLFRS 9	-	-	-	(257,611,590)	(257,611,590)
Recognition of SLFRS 09 ECLs	-	-	-	(357,793,876)	(357,793,876)
Deferred tax on transitional adjustments	-	-	-	100,182,286	100,182,286
Balance as at 01st April 2018	1,388,935,273	3,000,000	65,386,917	143,998,491	1,601,320,681
Total comprehensive income for the year					
Profit for the year	-	-	-	100,929,818	100,929,818
Other comprehensive expense (net of tax)	-	-	-	(920,685)	(920,685)
Total comprehensive income for the year	-	-	-	100,009,133	100,009,133
Transactions with equity holders recognized directly in equity					
Proceeds from right issue of ordinary shares	251,558,268	-	-	-	251,558,268
Transfers to reserves	-	-	5,000,457	(5,000,457)	-
Total transactions with equity holders	251,558,268	-	5,000,457	(5,000,457)	251,558,268
Balance as at 31st March 2019	1,640,493,541	3,000,000	70,387,374	239,007,167	1,952,888,082
Total comprehensive income for the year					
Profit for the year	-	-	-	70,153,366	70,153,366
Other comprehensive expense (net of tax)	-	-	-	(2,573,785)	(2,573,785)
Total comprehensive income for the year	-	-	-	67,579,581	67,579,581
Transactions with equity holders recognized directly in equity					
Proceeds from right issue of ordinary shares	150,985,150	-	-	-	150,985,150
Transfers to reserves	-	-	3,378,979	(3,378,979)	-
Total transactions with equity holders	150,985,150	-	3,378,979	64,200,602	218,564,731
Balance as at 31st March 2020	1,791,478,691	3,000,000	73,766,353	303,207,769	2,171,452,813

Figures in brackets indicate deductions.

The accounting policies and notes on pages 107 to 163 form an integral part of these financial statements.

Colombo

03rd June 2020

Statement Of Cash Flows

	Note	2019/2020 Rs.	2018/2019 Rs.
Cash flows from operating activities			
Profit before income tax		93,316,292	93,907,039
Adjustments for			
Depreciation and amortisation	20 & 23	51,791,363	51,006,612
Amortisation of right-of-use-assets	21	29,177,605	-
Lease Interest expense		17,234,710	-
Impairment of lease hire purchase, loans and advances	7	381,645,114	357,620,797
Early termination of loans, leases and hire purchase		(51,580,552)	(35,561,373)
Non-cash items included in profit before tax (WHT and Notional tax)		(1,264,129)	(1,517,200)
Net Interest margin adjustment		31,765,157	24,153,962
Interest income on commercial papers		(6,170,583)	(6,234,305)
Interest income on Unit Trust		(3,493,043)	-
Profit on sale of held for trading securities		125	1,614
Loss on fair valuation of held for trading securities		-	7,606
Gains from sale of property, plant and equipment, investment property and real estate inventories		(182,714)	(2,841,867)
Loss/(profit) on sale of vehicle stock		1,133,738	(86,431)
Provision for retirement benefit liability		7,041,239	5,272,963
Interest expense on other borrowings		897,277,265	581,621,544
Cash generated from operations before working capital changes		1,447,691,587	1,067,350,961
Changes in working capital			
(Increase)/decrease in lease rentals receivable and hire purchase		279,318,715	(1,936,369,097)
Increase in loans and advances		(1,724,658,389)	(862,275,657)
Increase in other receivables		(472,010)	(924,414)
Increase in deposits and prepayments		(31,671,976)	(47,300,314)
(Increase)/decrease in deposits from customers		(32,110,250)	261,277,709
Increase/(decrease) in other non-financial liabilities		(120,541,238)	164,012,558
Net cash used in operations after changes in working capital		(182,443,561)	(1,354,228,254)
Taxes paid		(22,740,148)	(31,617,521)
Gratuity paid		(1,232,500)	(3,948,750)
Rent paid		(42,557,697)	-
Net cash used in operating activities		(248,973,906)	(1,389,794,525)
Cash flows from investing activities			
Acquisition of property, plant and equipment	20	(27,787,206)	(57,293,522)
Acquisition of intangible assets	23	(17,178,378)	(5,506,856)
Acquisition of investment property	22	(5,859,596)	(14,220,059)

Statement Of Cash Flows

	Note	2019/2020 Rs.	2018/2019 Rs.
Proceeds from sale of investment property		-	17,300,000
Acquisition of vehicle stock		-	(37,565,049)
Proceeds from sale of vehicle stock		17,779,831	19,000,000
Investments in commercial papers		(280,000,000)	-
Proceeds from commercial papers		286,170,583	213,479,053
Investments in Unit Trust		(250,000,000)	-
Proceeds from Unit Trust		253,493,043	-
Proceeds from sale of held for trading securities		-	204,389
Proceeds from sale of property, plant and equipment		602,054	2,836,973
Net cash (used in)/from investing activities		(22,779,669)	138,234,929
Cash flows from financing activities			
Repayment of other borrowed funds	26	(4,421,488,570)	(3,426,336,554)
Proceeds from other borrowed funds	26	4,651,801,017	4,802,371,833
Proceed from right issue		150,985,150	251,558,268
Net cash generated from financing activities		381,297,597	1,627,593,547
Net increase in cash and cash equivalents		109,544,022	376,033,951
Cash and cash equivalents at the beginning of the year	A	1,204,248,031	828,214,080
Cash and cash equivalents at the end of the year	B	1,313,792,053	1,204,248,031
At the beginning of the year			
Cash and cash equivalents		643,777,198	660,159,119
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		691,744,740	622,975,267
Bank overdraft		(131,273,907)	(454,920,306)
		1,204,248,031	828,214,080
At the end of the year			
Cash and cash equivalents		511,939,133	643,777,198
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		860,630,696	691,744,740
Bank overdraft		(58,777,776)	(131,273,907)
		1,313,792,053	1,204,248,031

Figures in brackets indicate deductions.

The accounting policies and notes on pages 107 to 163 form an integral part of these financial statements.

Colombo

03rd June 2020

Notes to the Financial Statements

1. CORPORATE INFORMATION

This section provides general information about Asia Asset Finance PLC.

1.1. General

Asia Asset Finance PLC is a Public Limited Liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The company has been registered with the Central Bank of Sri Lanka as a Finance company under the provisions of the Finance Business Act No. 42 of 2011 (formerly the Finance Companies Act No.78 of 1988). The company was re-registered under the Companies Act No. 07 of 2007. The registered office of the company and the principal place of business is located at No.76, Park Street, Colombo 02.

1.2. Principal activities and nature of operations

The principal activities of the company comprise granting leases, hire purchase, mortgage loans, personal loans, group personal loans, gold loans, micro finance loans, pledge loans, cheque and invoice discounting and mobilization of public deposits.

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

1.3. Parent entity and ultimate parent entity

The company's immediate and ultimate parent entity as at 31st March 2020 is Muthoot Finance Limited which was incorporated in India.

1.4. Number of employees

The staff strength of the company as at 31st March 2020 was 495 (553 as at 31st March 2019).

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

This section provides additional information about the overall basis of preparation that the directors consider is useful and relevant in understanding these financial statements:

- A summary of other significant accounting policies affecting the results and financial position of the company, including changes in accounting policies and disclosures during the year.
- Standards that have been issued which the company has not adopted.

2.1. Basis of measurement

The financial statements of the company have been prepared on the historical cost basis except for the following items in the statement of financial position:

Item	Basis of measurement
Financial assets measured at fair value through profit or loss	Fair value
Financial assets measured at fair value through other comprehensive income	Fair value
Retirement benefit obligation	Liability is recognized as the present value of the retirement obligation plus unrecognized actuarial gains less unrecognized past service cost and unrecognized actuarial losses.

2.2. Going concern

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the company and the appropriateness of the use of the going concern basis. As at reporting date, the company evaluated the resilience of its business considering a wide range of factors under multiple scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing service to ensure businesses continue as least impacted as possible.

Notes to the Financial Statements

Having presented the outlook for the company's business to the Board of Directors and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining significant management judgments, estimates and assumptions the impact of the COVID 19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

2.3. Statement of compliance

The financial statements of the company as at 31st March, 2020 and for the year ended have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS) 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, the Finance Business Act No 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

- A statement of profit or loss and other comprehensive income providing the information on the financial performance of the company for the year under review
- A statement of financial position providing the information on the financial position of the company as at the year end

- A statement of changes in equity depicting all changes in shareholders' equity during the year under review of the company
- A statement of cash flows providing the information to the users, on the ability of the company to generate cash and cash equivalents and the needs of entity to utilize those cash flow and
- Notes to the financial statements comprising accounting policies and other explanatory information.

2.4. Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of these financial statements as per the provision of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

2.5. Approval of financial statements by the Board of Directors

The financial statements of Asia Asset Finance PLC for the year ended 31st March, 2020 (including comparatives) were approved and authorized for issue on 03rd June, 2020 in accordance with a resolution of the Board of Directors on 03rd June, 2020.

2.6 Presentation of financial statements

The assets and liabilities in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. 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) has been presented in note 37 (current/non-current

analysis). No adjustments have been made for inflationary factors affecting the financial statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless it is required or permitted by any accounting standard or interpretation.

2.7. Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The company has not restated the comparative information for contracts within the scope of Sri Lanka Accounting Standard – SLFRS 16 on "Leases" (SLFRS 16). Therefore, the comparative information is reported under Sri Lanka Accounting Standard – LKAS 17 on "Leases" (LKAS 17) and is not comparable with the information presented for 2018/2019.

2.8. Functional and presentation currency

The financial statements have been presented in Sri Lanka Rupee (Rs.), which is the company's functional and presentation currency.

2.9. Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard - 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.

2.10. Rounding

The amounts in the financial statements have been rounded-off to the nearest Rupee, except where it is otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on 'Presentation of Financial Statements'.

2.11. Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency which is the Sri Lanka Rupee (Rs.) at the spot exchange rate prevailing at the date of the transactions being effected. In this regard, the company's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary

items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2.12. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

Significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are given in the related notes.

2.12.1. Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the company provide scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria:

- The entity's business model for managing the financial assets is set out in Note 3.1.3.1.
- The contractual cash flow characteristics of the financial assets is set out in Note 3.1.3.2.

2.12.2. Impairment Losses on Financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are based on the assumptions of a number of factors and the actual results may differ, resulting in future changes to the allowance.

Refer Note 3.1.11 for more details relating to impairment loss assessment on financial assets.

Notes to the Financial Statements

2.12.3. Taxation

The company is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes pending the issue of tax guideline on the treatment of the adoption of SLFRSs in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The company recognizes assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

2.12.4. Deferred tax assets

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

2.12.5. Retirement benefit obligation

The cost of the retirement benefit obligation of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions

concerning the rate of interest, rate of salary increase, staff turnover, and retirement age and going concern of the company. Due to the long-term nature of such obligation, these estimates are subject to significant uncertainty. Further details are given in note 29 to the financial statements.

2.12.6. Useful lives of property, plant and equipment and intangible assets

The company depreciates the property plant and equipment, using the straight line method over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects the management's estimate of the period that the company intends to derive future economic benefits from the use of the property, plant and equipment. The residual value reflects the management's estimated amount that the company would currently obtain from the disposal of the asset, after deducting the estimated disposal, as if the asset were already of the age and in the conditions expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economic useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

2.12.7. SLFRS 16 – Leases (Applicable from April 1, 2019)

2.12.7.1. Determination of the lease term for lease contracts with renewal and termination options (company as a lessee)

The company determines the lease term as the non-cancellable term of

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

2.12.7.2. Estimating the incremental borrowing rate

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

and conditions of the lease). The company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.13. Changes in Accounting Policies

The company has consistently applied the Accounting Policies to all periods presented in these Financial Statements, except for the changes arising out of transition to SLFRS 16:

2.13.1. New and amended standards and interpretations

In these financial statements, the company has applied SLFRS 16, which is effective for the annual reporting periods beginning on or after January 1, 2019, for the first time. The company has not earlier adopted any other standard, interpretation or amendment that has been issued but has not been effective.

2.13.1.1. Sri Lanka Accounting Standard SLFRS 16 – “Leases”

Sri Lanka Accounting Standard SLFRS 16 - "Leases" (SLFRS 16) became effective for annual periods beginning on or after 1st January 2019. SLFRS 16 supersedes LKAS 17 "Leases", IFRIC interpretation 4 - "Determining whether an Arrangement contains a Lease, SIC - 15 "Operating Leases - Incentives" and SIC - 27 "Evaluating the Substance of Transactions involve in the legal form of a Lease". This standard which replaced Sri Lanka Accounting Standard LKAS 17 - "Leases" (LKAS 17), sets out the principles for the

recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17 where by lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact on leases where the company is the lessor.

The company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application as 01st April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised on the date of initial application. The company elected to use the transitional practical expedient to not reassess whether a contract is or contains a lease at 1st April 2019. Instead, the company applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

The company recognised right of use of assets and lease liabilities for those leases previously classified as operating leases. The right-of-use of assets for leases was recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Based on the above, the financial statement impact of adopting SLFRS 16 as at 01st April 2019 are summarized below:

	Rs.
Right-of-use assets recognized and presented in the statement of financial position as "Right-of-use-of assets"	139 Mn
Lease liabilities recognized	139 Mn

The adoption of SLFRS 16 had no impact on the company's retained earnings. The details of right-of-use assets are given in note 21 to the financial statements.

2.14. Amendments to Accounting Standards issued but not yet effective

Several amendments to Accounting Standards are effective for annual financial periods beginning on or after 01st January 2020, and earlier application is permitted. However, the company has not earlier adopted the following amendments to Accounting Standards in preparing these Financial Statements as they are not expected to have a significant impact on the company's Financial Statements.

2.14.1. Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8

Notes to the Financial Statements

on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' The company shall apply those amendments prospectively for annual financial periods beginning on or after 01st January 2020.

2.14.2. Amendments to the conceptual framework for financial reporting

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

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

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

No changes will be made to any of the current Accounting Standards. However, if the company relies on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards, it will need to apply the revised framework from 01st April 2020. The company will need to consider whether those accounting policies are still appropriate under the revised Framework.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Financial instruments – initial recognition, classification and subsequent measurement

3.1.1. Date of recognition

The company initially recognises loans and advances, 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.

3.1.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their

cash flow characteristics and the business model for managing the instruments. Refer Notes 3.1.3 and 3.1.4 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss is dealt with through the Income Statement.

Trade receivables that do not have significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have significant financing component) at initial recognition differs from the transaction price, the company accounts for the Day 1 profit or loss, as described below.

3.1.2.1. "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In

those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is de-recognised.

3.1.3. Classification and subsequent measurement of financial assets

As per SLFRS 9, the company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

3.1.3.1. 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 and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular

Interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or 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 realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the company's original expectations, the company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.3.2. Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

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

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could

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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.

Refer Notes 3.1.3.3 to 3.1.3.5. below for details on different types of financial assets recognised in the Statement of Financial Position. (SOFP)

3.1.3.3. Financial assets measured at amortised cost

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

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

Financial assets measured at amortised cost are given in Notes 3.1.3.3.1 and 3.1.3.3.2 below.

3.1.3.3.1. Loans and advances to customers

Loans and advances to customers include loans and advances, and lease and hire purchase receivables of the company.

Details of "Loans and advances to customers" are given in Notes 14 and 15.

3.1.3.3.2. Investment in reverse repurchase agreements against the treasury bills and bonds

When the company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

Details of "Investment in reverse repurchase agreements against the treasury bills and bonds" are given in Note 12.

3.1.3.3.3. Cash and cash equivalents

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments. They are brought to the financial statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at

amortized cost in the statement of financial position.

3.1.3.4. Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

3.1.3.4.1. Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding. Details of "Debt instruments at FVOCI" are given in Note 19.

3.1.3.4.2. Equity instruments designated at FVOCI

Upon initial recognition, the company elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI. Details of "Equity instruments at FVOCI" are given in Note 19.

3.1.3.5. Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to

collect contractual cash flows and to sell financial assets.

3.1.4. Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category are,
 - Held-for-trading; or
 - Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The company does not have any financial liabilities at fair value through profit or loss.

3.1.4.2. Financial liabilities at amortised cost

Financial liabilities issued by the company that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to customers" or "Other borrowings" as appropriate, where the substance of the contractual arrangement results in the

company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in "Interest expense" in the Income Statement. Gains and losses too are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.1.4.2.1. Due to banks

Due to banks include bank overdrafts and long-term and short-term loans obtained from banks. Subsequent to initial recognition, these are measured at their 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 profit or loss. Gains and losses are recognized in the statement of profit or loss when the liabilities are de-recognized as well as through the EIR amortisation process. Details of "Due to banks" are given in Note 24.

3.1.4.2.2. Due to customers

Due to customers includes fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (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 profit or loss. Gains and losses are recognized in the statement of profit or loss when the liabilities are de-recognized as well as through the EIR amortisation process.

Details of "Due to customers" are given in Note 28.

3.1.4.2.3. Other Borrowed Funds

Debt instruments and other borrowings are initially recognised at fair value net of transaction cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognized in the statement of profit or loss over the period of the loan using the effective interest rate method.

Details of "Other Borrowed Funds" are given in Note 26.

3.1.5. Reclassification of financial assets and liabilities

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

Notes to the Financial Statements

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

3.1.5.1. Timing of reclassification of financial assets

Consequent to the change in the business model, the company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

3.1.5.2. Measurement of reclassification of financial assets

3.1.5.2.1. 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 is recognized in OCI.

- To Amortised Cost

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

3.1.5.2.2. 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 Cost

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

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

3.1.5.2.3. Reclassification of Financial Instruments at "Amortised Cost"

- To Fair value through other comprehensive income

The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

3.1.6. De-recognition of financial assets and financial liabilities

3.1.6.1. Financial assets

The company de-recognises a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all

risks and rewards of ownership and it does not retain control of the financial asset.

3.1.6.2. Financial liabilities

The company de-recognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.1.7. Modification of financial assets and financial liabilities

3.1.7.1. 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.

As per SLFRS 9, 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.

3.1.7.2. Financial liabilities

Where an existing financial liability is replaced by another from the same

lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. 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.

3.1.8. Offsetting of financial instruments

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

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

3.1.9. Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

3.1.10. Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 38.

3.1.11. Identification and measurement of impairment of financial assets

3.1.11.1. Overview of the ECL principles

As per SLFRS 9, the company records an allowance for expected credit losses for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and loan commitments.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- **Stage 1:** A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the company records an allowance for LTECL. Refer Note 3.1.11.2 for a description on how the company determines when a significant increase in credit risk has occurred.

- **Stage 3:** If a financial asset is credit-impaired, it is moved to Stage 3 and the company recognises an allowance for LTECL, with probability of default at 100%. Refer Note 3.1.11.3 for a description on how the company defines credit impaired and default.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The company does not have POCI loans as at the reporting date.

In response to COVID-19, the company undertook a review of its loan portfolios and the ECL for each. The review considered the macroeconomic outlook, client and customer credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date. While certain model inputs including forward-looking information were revised, the ECL models, SICR thresholds, and definitions of default remain consistent with prior periods.

The key judgments and assumptions adopted by the company in addressing the requirements of SLFRS 9 are discussed below:

3.1.11.2. Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without

Notes to the Financial Statements

undue cost or effort. This includes both quantitative and qualitative information analysis, based on the company's historical experience and expert credit assessment and including forward looking information.

The company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The company individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments.
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or instruments.
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- When a customer is subject to litigation that significantly affects the performance of the credit facility.
- Modification of terms resulting in concessions, including extensions, deferral of payments, waiver of covenants

- When the customer is deceased/ insolvent.
- When the company is unable to contact or find the customer

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The company regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the company determines significant increase in credit risk based on the generally accepted investment/ non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

3.1.11.3. Definition of default and credit impaired assets

The company considers loans and advances to customers be defaulted when:

- The borrower is unlikely to pay its obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.

In addition, the company classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is in "default".

In assessing whether a borrower is in default, the company reviews its individually significant loans and advances above a predefined threshold at each reporting date. The company considers non performing credit facilities/customers with one or more of indicators set out in Note 3.1.11.2 above as credit impaired.

3.1.11.4. Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described in Note 3.1.11.2. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

3.1.11.5. Grouping financial assets measured on collective basis

The company calculates ECLs either on a collective or an individual basis. Asset classes where the company calculates ECL on individual basis include credit impaired facilities of individually significant customers.

Those financial assets for which, the company determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective

basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

3.1.11.6. The Calculation of Expected Credit Loss Principle (ECL)

The company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

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

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

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
 - **EAD:** Exposure At Default is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued financing income from missed payments.
 - **LGD:** Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realization of any collateral.
 - **Forward-looking information**
The company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The company has identified key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.
- Quantitative drivers of credit risk**
- GDP growth
 - Unemployment rate
 - Interest rate (AWPLR)
 - Rate of inflation
 - Exchange rate
- Qualitative drivers of credit risk**
- Status of industry business
 - Regulatory impact
 - Government policies
- At the reporting date the company adopted an approach recognizing that COVID-19 is the key driver of the macroeconomic outlook at the reporting date.
- 3.1.12. Write-off of loans and advances**
Loans (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 realization of security.

3.2. Property, plant and equipment

3.2.1. Basis of 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 and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the company and the cost of the assets can be measured reliably.

3.2.2. Basis of 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 cost incurred subsequently to add to, or replace a part of it. 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 at the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

Notes to the Financial Statements

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The company applies the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.2.3. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The cost of day today servicing of property, plant and equipment is charged to the statement of profit or loss as incurred.

3.2.4. Repairs and maintenance

Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3.2.5. De-recognition

Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of profit or loss in the year the asset is de-recognized.

3.2.6. Depreciation

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

The estimated useful lives are as follows;

Building	8 years
Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles	4 years
Computer hardware	6 years

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation

methods, useful lives and residual values are re-assessed at each reporting date and adjusted, if appropriate.

3.3. Intangible assets

The company's intangible assets include the value of computer software.

3.3.1. Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company in accordance with the Sri Lanka Accounting Standard-LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the statement of financial position at cost less any accumulated amortisation and any accumulated impairment losses, if any.

3.3.2. Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.3.3. Useful economic lives, amortization and impairment

Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic

benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Computer software - 8 years

3.3.4. De-recognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

3.4. Investment property

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

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at cost.

3.4.1. De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

3.4.2. Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the company as an owner occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss. When the company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

3.5. Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

Notes to the Financial Statements

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

The Company has not determined impairment as at the reporting date due to the COVID-19 pandemic, and each department functions under the business continuity plan as per the Company's risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

3.6. Deferred tax 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 at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 credits and unused tax losses can be utilized.

The carrying amount of deferred 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 tax assets to be utilized.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.7. Real estate inventories

Real estate inventories represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.8. Fiduciary assets

The company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these financial statements as they do not belong to the company.

3.9. Other assets

The company classifies all its other assets as other assets and other non-financial assets. Other assets mainly comprise advance payments, VAT receivable and sundry receivables. Advance payments are carried at historical cost.

3.10. Provisions

Provisions are recognized in the statement of financial position when the company has a present obligation (legal or constructive) as a result of a past event, and 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'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

3.11. Leases

3.11.1. Application as per SLFRS 16 (Applicable from April 1, 2019)

3.11.1.1. Right-Of-Use Assets – Company as a Lessee

a) Basis of recognition

The company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all leasehold rights except for short term leases, which are held for use in the provision for services.

b) Basis of Measurement

The company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are

measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

c) Depreciation

Right-of-use assets are depreciated over the lease term of the assets as there is no reasonable certainty that the company will obtain the ownership of such assets by the end of the lease term.

3.11.1.2. Lease Liability

At the commencement date of the lease, the company recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The present value of lease commitments as at 1st April 2019 has been calculated using the weighted average incremental borrowing rate of 15%. The company applied the modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and operating lease liabilities.

Details of "Right-of-use asset" and "Lease liability" are given in Notes 21 and 27 respectively.

3.11.1.3. Finance leases - Company as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At

the commencement date, the company recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The company's net investment in lease is included in Note 15 on "Financial assets at amortised cost – Lease rentals receivable and hire purchase", as appropriate. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

3.11.1.4. Operating leases - Company as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The company recognises lease payments from operating leases as income on a straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12. Other liabilities

Other liabilities include related party payables, VAT on Financial Services payable, retirement benefit obligation and other amount payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on Financial Services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for Value Added Tax 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 computed on prescribed rates.

3.13. Retirement benefit obligation

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 the Sri Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

3.13.1. Recognition of actuarial gains and losses

The company recognizes the total actuarial gains and losses that arise in calculating the company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

3.13.2. Funding arrangements

The gratuity liability is not externally funded.

3.13.3. Defined contribution plans -Employees' Provident Fund

The company and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

Notes to the Financial Statements

Defined contribution plans -Employees' Trust Fund

The company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

3.14. Dividends payable

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and are 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 in accordance with the Sri Lanka Accounting Standard- LKAS 10 on 'Events after the Reporting period'. Withholding Tax on Dividends, distributed by the company are recognized at the time the liability to pay the related dividend is recognized.

3.15. Income

Income is recognized to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are as follows:

3.15.1. Net interest income

3.15.1.1. Interest income and interest expense

Interest income and expense are recognised in the Income Statement using the effective interest rate (EIR) method.

As per SLFRS 9, the interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

Effective Interest Rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest

income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3.15.2. Net trading gain/loss on held for trading securities

Results arising from trading activities include all gains and losses from changes in fair value for financial assets 'held for trading'.

3.15.3. Net Fee and Commission Income

Fee and commission income is earned from a diverse range of services provided by the company to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed and
- Income earned from the provision of services is recognised as revenue as the services are provided.

3.15.4. Other operating income

Other operating income includes gains on property, plant and equipment, hiring income, rent income, dividend income and capital gains/(losses).

3.15.4.1 Dividend income

Dividend income is recognized when the company's right to receive the income is established.

3.15.4.2. Gain or losses on disposal of property plant and equipment, Investment property and real estates

Gains or losses resulting from the disposal of property, plant and equipment, investment properties and real estates are accounted for on cash basis in the statement of profit or loss, in the period in which the sale occurs.

3.15.4.3. Other Income

Other income is recognized on an accrual basis.

3.16. Personnel expenses

Personnel expenses include salaries and bonus, terminal benefit charges and other related expenses. The provision for bonus is recognized when 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 on the amount of the obligation.

Employees are eligible for Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations.

3.17. General and administrative expense

General and administration expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the statement of profit or loss in arriving at the profit for the year.

3.18. Income tax expense

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid, to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rate of 24%.

3.19. Earnings Per Share (EPS) - basic

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33 - Earnings per share.

3.20. Contingent liabilities and commitments

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 readily measured as defined in the Sri Lanka Accounting Standard- LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent Liabilities are not recognized in the statement of financial position but are disclosed unless its occurrence is remote.

Details of the commitments and contingencies are given in note 33 to the financial statements.

3.21. Events after the reporting period

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

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in the financial statements, where necessary.

3.22. Statement of cash flows

The statement of cash flows has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard - 'LKAS 7' - 'Statement of Cash Flows', whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized. Cash and cash equivalents mainly comprise cash in hand, balances at banks and bank overdrafts.

3.23. Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. All operating segments' operating results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

Segment results that are reported to the senior management personnel and the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The relevant disclosures are given in note 39 to the financial statements.

3.24. Fair value measurement

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

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

If there is no quoted pricing in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability,

assuming that market participants act in their economic best interest.

The company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in note 38 to the financial statements.

	2019/2020	2018/2019
	Rs.	Rs.
4. INTEREST INCOME		
Interest on leases	1,180,119,244	892,924,491
Interest on hire purchase	25,375	4,536,076
Interest on loans	973,380,883	1,178,059,100
Overdue interest	119,095,322	73,337,230
Interest on treasury bills in reverse repurchase agreements	74,315,066	63,800,295
Interest on bank deposits	35,549,481	24,041,600
Interest on commercial papers	6,170,583	6,234,305
Interest on gold loans	655,053,124	479,727,848
	3,043,709,078	2,722,660,945
5. INTEREST EXPENSES		
Interest on fixed deposits	788,668,229	849,927,396
Interest on other borrowings	898,331,151	583,438,948
Interest on right-of-use asset-leased liability	17,234,710	-
	1,704,234,090	1,433,366,344
6. OTHER OPERATING INCOME		
Documentation charges and service charges	213,023,375	85,754,098
Gains from disposal of property, plant and equipment, investment property and real estate inventories	-	2,928,298
Profit on settled contracts	51,580,552	35,561,373
Dividend income	280,000	211,164
Operating lease income	2,656,940	1,576,271
Insurance commission income	20,778,315	15,944,120
Sundry income	580,537	4,050,012
Cheque discounting administration income	-	41,433
Money gram income	10,482	38,264
	288,910,201	146,105,033
7. IMPAIRMENT CHARGE FOR LEASE RENTALS RECEIVABLE, HIRE PURCHASE, LOANS AND ADVANCES		
Lease rentals receivable and hire purchase	115,717,822	96,535,222
Loans and advances	265,927,292	261,085,575
	381,645,114	357,620,797

Notes to the Financial Statements

	2019/2020 Rs.	2018/2019 Rs.
8. PROFIT BEFORE INCOME TAX		
Profit before income tax is stated after charging all expenses including the following :		
Included in personnel cost,		
Directors' remuneration	16,994,200	16,087,000
Salaries and bonus	188,620,945	171,826,518
Defined contribution plan costs - EPF and ETF	28,545,964	26,013,538
Other staff related expenses	76,421,719	66,869,834
Included in general and administration expenses,		
Depreciation and amortization	51,791,363	51,006,612
Amortization on right of use assets	29,177,605	-
Auditors' remuneration - External audit current year	2,209,227	1,679,000
- Non audit	4,304,100	739,599
Advertising and business promotion	20,545,618	16,409,671
Professional and legal fees	14,163,067	12,788,275

	2019/2020 Note Rs.	2018/2019 Rs.
9. INCOME TAX EXPENSES		
Major components of income tax expense for the year ended 31st March are as follows:		
Statement of profit or loss		
Current income tax	9.1	
Current income tax charge	-	-
Underprovision of current taxes in respect of prior years	-	29,765,346
Deferred tax	9.2	
Deferred taxation	23,162,926	(36,788,125)
Income tax expense/(income) reported in the profit or loss	23,162,926	(7,022,779)
Statement of other comprehensive income		
Deferred tax		
Deferred taxation expense	498,152	201,400
Income tax expenses reported in the other comprehensive income	498,152	201,400

	Note	2019/2020 Rs.	2018/2019 Rs.
9.1. Reconciliation of accounting profit and taxable income			
Accounting profit (profit before income tax)		93,316,292	93,907,039
Add : Disallowable expenses		551,980,141	903,780,377
Less : Allowable expenses		(833,211,772)	(1,447,288,260)
Less : Exempt income		(51,860,552)	(2,210,560)
Add : Adjusted business profit from leasing business		248,088,180	1,925,358
Statutory income/(loss)		8,312,289	(449,886,046)
Tax loss brought forward and utilized		(8,312,289)	-
Taxable income/(loss)		-	(449,886,046)
Income tax expense		-	-
Effective income tax rate		-	-
9.2. Deferred tax assets			
Balance as at 01st April		249,583,725	112,814,714
Deferred tax on transitional adjustments		-	100,182,286
Balance as at 01st April		249,583,725	212,997,000
(Charge)/reversal for the year			
Statement of profit or loss		(23,162,926)	36,788,125
Statement of other comprehensive income		(498,152)	(201,400)
Balance as at 31st March		225,922,647	249,583,725

Notes to the Financial Statements

	Note	Statement of financial position	
		2019/2020 Rs.	2018/2019 Rs.
9.3. Deferred tax assets and liabilities relate to the following:			
Deferred tax liability			
Property, plant and equipment		(18,466,531)	(25,174,546)
Right-of-use asset		(2,642,300)	-
		(21,108,831)	(25,174,546)
Deferred tax assets			
Retirement benefit obligation		7,193,487	6,184,778
Carried forward tax loss and unused tax credits		119,742,197	171,428,281
Transitional adjustment		68,696,425	-
Lease rental receivable		34,663,144	66,101,305
Allowance for impairment of loans and receivables		16,736,225	31,043,907
		247,031,478	274,758,271
Net deferred tax asset		225,922,647	249,583,725

Deferred tax has been determined based on the effective tax rate of 24%.

*As of 31st March, 2020, the company has a tax loss amounting to Rs. 498,925,821/- (2019 - Rs. 808,073,451/-) which is available for 5 years for offsetting against future Statutory Income of the company in each year of assessment. A deferred tax asset has been recognized up to a tax loss of Rs. 498,925,821/- (2019- Rs.612,149,401/-) which has arisen from Leasing and Non Finance Leasing Business.

The carrying amount of deferred tax assets is reviewed by the management at each reporting date and recognized to the extent of probable taxable profits in 4 years time as recommended by IR Act No. 24 of 2017.

10. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

10.1. As at 31st March 2020

Assets	FVTOCI Rs.	FVTPL Rs.	Amortized Cost Rs.	Total Rs.
Cash and cash equivalents	-	-	511,939,133	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	-	-	860,630,696	860,630,696
Loans and advances at amortized cost	-	-	8,913,047,650	8,913,047,650
Lease rentals receivable and hire purchase at amortized cost	-	-	3,726,488,702	3,726,488,702
Financial assets - fair value through OCI	506,659	-	-	506,659
Total financial assets	506,659		14,012,106,181	14,012,612,840

	Financial liabilities at amortized cost	Total
	Rs.	Rs.
Liabilities		
Due to customers	6,585,234,705	6,585,234,705
Due to banks	58,777,776	58,777,776
Other borrowed funds	6,086,325,326	6,086,325,326
Total financial liabilities	12,730,337,807	12,730,337,807

10.2. As at 31st March 2019

Assets	FVTOCI Rs.	FVTPL Rs.	Amortized Cost Rs.	Total Rs.
Cash and cash equivalents	-	-	643,777,198	643,777,198
Investment in reverse repurchase agreements against treasury bills and bonds	-	-	691,744,740	691,744,740
Financial assets - fair value through profit and loss	-	125	-	125
Loans and advances at amortized cost	-	-	7,453,374,463	7,453,374,463
Lease rentals receivable and hire purchase at amortized cost	-	-	4,102,651,935	4,102,651,935
Financial assets - fair value through OCI	506,659	-	-	506,659
Total financial assets	506,659	125	12,891,548,336	12,892,055,120

	Financial liabilities at amortized cost	Total
	Rs.	Rs.
Financial liabilities		
Due to customers	6,617,344,955	6,617,344,955
Due to banks	131,273,907	131,273,907
Other borrowed funds	4,958,735,615	4,958,735,615
Total financial liabilities	11,707,354,477	11,707,354,477

FVTOCI -Fair value through other comprehensive income

FVTPL -Fair value through profit or loss

Notes to the Financial Statements

	Note	31.03.2020 Rs.	31.03.2019 Rs.
11. CASH AND CASH EQUIVALENTS			
Cash in hand		75,502,668	5,221,399
Cheque in hand		12,309,508	30,000
Cash at banks		424,126,957	638,525,799
		511,939,133	643,777,198

12. INVESTMENT IN REVERSE REPURCHASE AGREEMENTS AGAINST TREASURY BILLS AND BONDS

Reverse repurchase agreements against treasury bills and bonds	860,630,696	691,744,740
	860,630,696	691,744,740

13. FINANCIAL ASSETS-FAIR VALUE THROUGH PROFIT OR LOSS

Quoted equity securities	13.1	-	125
		-	125

13.1. Quoted equity securities

	31.03.2020 Number of shares	Market value Rs.	31.03.2019 Number of shares	Market value Rs.
Central Investments and Finance PLC	-	-	50	40
Swarnamahal Finance PLC	-	-	50	85
Total	-	-	100	125

14. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

	Note	31.03.2020 Rs.	31.03.2019 Rs.
14. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES			
Gross loans and advances		9,819,980,963	8,293,241,005
Stage 1		5,791,952,342	6,128,718,981
Stage 2		542,827,585	313,400,161
Stage 3		3,485,201,037	1,851,121,863
Less: Provision for impairment		906,933,313	839,866,542
Stage 1	14.2.1.	58,249,662	179,587,839
Stage 2	14.2.2.	29,179,872	32,390,823
Stage 3	14.2.3.	819,503,779	627,887,880
Net loans and advances		8,913,047,650	7,453,374,463

	Note	31.03.2020 Rs.	31.03.2019 Rs.
14.1. Loans and advances - Analysis by product			
Mortgage loans		1,614,042,596	1,069,343,238
Pledge loans		458,818,439	488,631,357
Personal and corporate loans		1,915,381,361	1,994,581,447
Group personal loans		651,155,230	795,018,850
Cheque and invoice discounting		11,810,284	11,778,093
Micro finance loans		782,987,172	1,115,196,074
Sale and lease back loans		1,000,001	1,000,001
Project financing loan		115,072,724	115,052,685
Gold loan		4,269,713,156	2,702,639,260
		9,819,980,963	8,293,241,005

14.2. Movement in provision for impairment during the year (Under SLFRS 9)

14.2.1. Movement in stage 1 impairment			
Balance as at 01st April		179,587,839	268,645,258
Write back to the income statement		(121,338,177)	(89,057,419)
Balance as at 31st March		58,249,662	179,587,839
14.2.2. Movement in stage 2 impairment			
Balance as at 01st April		32,390,823	23,152,385
Charge/(write back) to the income statement		(3,210,951)	9,238,438
Balance as at 31st March		29,179,872	32,390,823
14.2.3. Movement in stage 3 impairment			
Balance as at 01st April		627,887,880	501,605,874
Charge to the income statement		394,483,287	340,904,556
Write-off during the year		(198,860,521)	(241,828,600)
Interest accrued/(reversals) on impaired loans and advances		(4,006,867)	27,206,050
Balance as at 31st March		819,503,779	627,887,880
14.2.4. Movement in total impairment			
Balance as at 01st April		839,866,542	793,403,517
Charge to the income statement		269,934,159	261,085,575
Write - off during the year		(198,860,521)	(241,828,600)
Interest accrued/(reversals) on impaired loans and advances		(4,006,867)	27,206,050
Balance as at 31st March		906,933,313	839,866,542

Notes to the Financial Statements

14. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES (CONTD...)

	Note	31.03.2020 Rs.	31.03.2019 Rs.
14.4. Impairment charge to the income statement			
Loans and advances to customers			
Stage 1		(121,338,177)	(89,057,419)
Stage 2		(3,210,951)	9,238,438
Stage 3		390,476,420	340,904,556
Total		265,927,292	261,085,575

15. FINANCIAL ASSETS AT AMORTISED COST – LEASE RENTALS RECEIVABLE AND HIRE PURCHASE

Gross lease rental receivables and hire purchase		4,014,813,440	4,275,258,850
Stage 1		2,787,829,382	3,542,416,480
Stage 2		452,754,414	300,427,914
Stage 3		774,229,644	432,414,456
Less: Provision for impairment		288,324,738	172,606,915
Stage 1	15.2.1	95,808,518	87,045,635
Stage 2	15.2.2	32,169,730	11,147,399
Stage 3	15.2.3	160,346,489	74,413,881
Provision for collective impairment		-	-
Net lease rentals receivable and hire purchase		3,726,488,702	4,102,651,935

15.1. Lease rentals receivable and hire purchase

Lease rentals receivables	15.1.1	3,711,805,061	4,098,865,738
Hire purchases	15.1.2	14,683,641	3,786,197
		3,726,488,702	4,102,651,935

15.1.1. Lease rentals receivables

Gross rentals receivable		5,205,084,441	5,403,750,521
Less: Unearned income		(1,433,988,222)	(1,467,688,554)
Prepaid rentals		(2,377,814)	(2,377,814)
Lease capitalized charges		213,353,270	308,172,497
Allowance for impairment losses		(270,266,614)	(142,990,912)
		3,711,805,061	4,098,865,738

	Note	31.03.2020 Rs.	31.03.2019 Rs.
15.1.2. Hire purchase receivables			
Gross rentals receivable		32,894,899	35,480,499
Less: Unearned income		(153,134)	(179,089)
Pre-paid rentals		-	(1,899,210)
Allowance for impairment losses		(18,058,124)	(29,616,003)
		14,683,641	3,786,197

15.2. Movement in provision for impairment during the year (Under SLFRS 9)

15.2.1. Movement in stage 1 impairment

Balance as at 01st April	87,045,635	39,968,500
Charge to the income statement	8,762,883	47,077,135
Balance as at 31st March	95,808,518	87,045,635

15.2.2. Movement in stage 2 impairment

Balance as at 01st April	11,147,399	4,969,350
Charge to the income statement	21,022,331	6,178,049
Balance as at 31st March	32,169,730	11,147,399

15.2.3. Movement in stage 3 impairment

Balance as at 01st April	74,413,881	95,956,282
Charge to the income statement	88,628,030	43,280,038
Write-off during the year	-	(61,770,351)
Interest reversals on impaired loans and advances	(2,695,422)	(3,052,088)
Balance as at 31st March	160,346,489	74,413,881

15.2.4. Movement in total impairment

Balance as at 01st April	172,606,915	140,894,132
Charge to the income statement	118,413,244	96,535,222
Write-off during the year	-	(61,770,351)
Interest reversals on impaired loans and advances	(2,695,422)	(3,052,088)
Balance as at 31st March	288,324,737	172,606,915

Notes to the Financial Statements

15. FINANCIAL ASSETS AT AMORTISED COST – LEASE RENTALS RECEIVABLE AND HIRE PURCHASE (CONTD...)

	Note	31.03.2020 Rs.	31.03.2019 Rs.
15.2.5. Impairment charge to the income statement			
Lease receivable and hire purchase			
Stage 1		8,762,883	47,077,135
Stage 2		21,022,331	6,178,049
Stage 3		85,932,608	43,280,038
Total		115,717,822	96,535,222

15.3.1. Age analysis of lease and hire purchase

15.3.1.1. Lease and hire purchase receivable not later than 1 year

Gross rentals receivable	823,289,824	462,502,951
Less: Unearned income	(36,331,161)	(45,992,688)
Prepaid rentals	(192,920)	(4,277,025)
Lease capitalized charges	42,083,600	23,272,205
Allowance for impairment losses	(75,475,914)	(34,241,697)
	753,373,429	401,263,746

15.3.1.2. Lease and hire purchase receivable later than 1 year and not later than 5 years

Gross rentals receivable	4,022,532,885	4,976,728,069
Less: Unearned income	(1,007,839,791)	(1,421,874,954)
Lease capitalized charges	171,271,001	284,900,292
Allowance for impairment losses	(212,848,822)	(138,365,218)
	2,973,115,274	3,701,388,189

16. OTHER ASSETS

Other receivables	16,983,813	16,511,803
	16,983,813	16,511,803

	Note	31.03.2020 Rs.	31.03.2019 Rs.
17. INCOME TAX RECEIVABLE			
Balance at the beginning of the year		3,732,303	362,927
Income tax expense for the year		-	-
Underprovision of previous year		-	(29,765,346)
		3,732,303	(29,402,419)
Income tax paid		8,900,107	19,626,029
Add: Tax credits			
WHT and notional tax		1,264,129	1,517,201
ESC paid		13,840,041	11,991,492
Balance at the end of the year		27,736,580	3,732,303

18. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances, deposits and prepayments		156,189,223	155,155,197
		156,189,223	155,155,197

		31.03.2020		31.03.2019	
		Number of shares	Directors' valuation*	Number of shares	Directors' valuation*
		Rs.	Rs.	Rs.	Rs.
19. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME					
Unquoted cumulative redeemable preference shares					
Platinum Reality Investment Limited		25,000	6,500,000	25,000	6,500,000
Less : Impairment charge			(6,500,000)		(6,500,000)
Unquoted Ordinary shares					
Finance Houses Consortium (Private) Limited		45,000	200,000	45,000	200,000
Credit Information Bureau of SL (CRIB)		67	306,659	67	306,659
		45,067	506,659	45,067	506,659

*The Directors' valuation of non-quoted securities based on cost of investment less impairment amounts to Rs.506,659/- (2019 - Rs.506,659/-).

Notes to the Financial Statements

20. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.04.2019	Additions	Disposals/ transfers	Balance as at 31.03.2020
Freehold assets	Rs.	Rs.	Rs.	Rs.
20.1. Gross carrying amounts				
Cost				
Plant	25,930,613	-	-	25,930,613
Motor vehicle	69,525,110	-	(2,730,973)	66,794,137
Office equipment	137,149,233	21,058,007	-	158,207,240
Computers	43,880,698	5,858,509	(80,568)	49,658,639
Furniture and fittings	24,323,609	870,690	-	25,194,299
	300,809,263	27,787,206	(2,811,541)	325,784,928
20.2. Accumulated depreciation				
Plant	10,804,423	3,241,327	-	14,045,750
Motor vehicle	36,552,151	14,467,932	(2,311,633)	48,708,450
Office equipment	60,459,156	20,424,630	-	80,883,786
Computers	19,507,648	6,997,978	(80,568)	26,425,058
Furniture and fittings	14,805,305	2,884,097	-	17,689,402
	142,128,683	48,015,964	(2,392,201)	187,752,446
			31.03.2020	31.03.2019
			Rs.	Rs.
Net Book value				
Plant			11,884,863	15,126,190
Motor vehicle			18,085,687	32,972,959
Office equipment			77,323,454	76,690,077
Computers			23,233,581	24,373,050
Furniture and fittings			7,504,897	9,518,304
			138,032,482	158,680,580

20.3. During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs.27,787,206/- (2019 -Rs.57,293,522/-). Cash payments amounting to Rs.27,787,206/- (2019 - Rs.57,169,292/-) were paid during the year for the purchases of property, plant and equipment.

20.4. Property, plant and equipment include fully depreciated assets having a gross carrying amount of Rs. 31,728,603/- (2019- 27,299,574/-).

20.5. Temporarily idle property, plant and equipment

There were no property, plant or equipment idling as at 31st March 2020 and 31st March 2019.

20.6. Title restriction on property, plant and equipment

There was no restriction on the title of property, plant and equipment as at 31st March 2020 and 31st March 2019.

20.7. Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at 31st March 2020 and 31st March 2019.

	31.03.2020	31.03.2019
	Rs.	Rs.
21. RIGHT-OF-USE-ASSET ON LEASE		
Cost		
Balance as at 01/04/2019	-	-
Day 1 impact from application of SLFRS 16	139,021,582	-
Restated balance as at 01/04/2019	139,021,582	-
Additions / renewal operating lease during the year	27,366,480	-
Expiration of operating lease agreement during the year	-	-
Balance as at 31/03/2020	166,388,062	-
Accumulated amortization		
Balance as at 01/04/2019	-	-
Amortization for the year	29,177,605	-
Balance as at 31/03/2020	29,177,605	-
Net book value as at 31/03/2020	137,210,457	-

22. INVESTMENT PROPERTY

Balance at the beginning of the year	393,818,513	352,385,530
Acquisitions during the year	5,859,596	57,813,300
Disposals during the year	-	(16,380,317)
Balance at the end of the year	399,678,109	393,818,513

Fair value of the investment property for the purpose of disclosure in note 22.2 was ascertained by valuations carried out by independent valuers as required by LKAS 40.

	31.03.2020	31.03.2019
	Rs.	Rs.
22.1. The amounts recognized to profit or loss on investment property is as follows :		
Direct expenses (including security charges and other utility charges)	604,460	2,101,123
	604,460	2,101,123

Notes to the Financial Statements

22. INVESTMENT PROPERTY (CONTD...)

22.2. Fair value of the investment property

Location of the land	Valuer's name and report date	Total extent	31.03.2020		31.03.2019	
			Fair value Rs.	Cost Rs.	Fair value Rs.	Cost Rs.
Lot 05, Dangahahena Land, Anamaduwa Road, Andigama.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	"39.04 P (0.09965 Ha)"	12,000,000	1,250,000	12,000,000	1,250,000
No. 25/20, Kalyani Mawatha, Mabola, Wattala.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	26.93P	48,700,000	12,453,317	48,700,000	12,453,317
Lot No. 01 at Andiambalama, Kimbulapitiya.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	14.00 P	4,900,000	3,674,840	4,900,000	3,500,000
Gonapola Land (No358, Horana-Colombo Road, Kumbuka Gonapola).	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	"02R-01.10 P (0.2051 Ha)"	31,800,000	19,844,621	31,800,000	19,815,000
Manipay Land (No 55 Nachchimar Kovil Road, Manipay).	V. Selvanayakam AIV (Incorporated Valuer) - valuation report dated 08th April, 2019.	10.50 Lms	13,000,000	9,000,000	13,000,000	9,000,000
No;21,14th Lane,I.Jothipala Mawatha,Malabe.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	"10.00 P (0.0253 Ha)"	16,200,000	12,865,866	16,200,000	12,865,866
Lot 1-46 Plan No;3393 at Tembiligaha, Pallegama, Gampola.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	02A-02R-15 P	20,500,000	15,064,221	20,500,000	14,964,221
Lot no;1 in Plan No;5644 at Lenadora,Dambulla.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	"01A-02R-02.60 P (06122 Ha)"	47,800,000	16,644,799	47,800,000	16,644,799
Oslo Furnitures Industries (Pvt) Ltd, Welagane, Maspotha,Kurunegala.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	01R-35.00 P (0.1897 Ha)	52,500,000	46,344,684	52,500,000	46,344,684

Location of the land	Valuer's name and report date	Total extent	31.03.2020		31.03.2019	
			Fair value Rs.	Cost Rs.	Fair value Rs.	Cost Rs.
Sandiyakalikuda & Mundalamakadu of Puttalam Rd, Mundalama.	D. Jayawardene (Incorporated Valuer) - valuation report dated 25th March, 2019.	05A-03R-30 P	50,400,000	35,300,000	50,400,000	35,000,000
Karukottiheevu, Thamputtai 02, Akkaraipattu.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	"10A-01R-05P (4.1602 Ha)"	115,000,000	95,236,734	115,000,000	95,236,734
Galapitamillahena, Polarambegama, Kegalle.	D. Jayawardene (Incorporated Valuer) - valuation report dated 25th March 2020.	"6A-01R-00P (2.52928 Ha)"	25,000,000	25,374,000	25,000,000	25,374,000
No:95, Mallattawela, Wellawaya	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March 2019.	"11.80 P (0.04346 Ha)"	9,000,000	5,255,135	-	-
Lot No;153B in Plan No:4813/99 at Udangawa, Ambanpola.	D. Jayawardene (Incorporated Valuer) - valuation report dated 09th March,2018.	10.00P. (0.325 Ha)	13,000,000	12,103,871	13,000,000	12,103,871
Lot No;1 in Plan No;1520 & Lot No;1 in Plan No;1522, "EVERTON ESTATE", Pothupitiya Road, Rakwana.	D. Jayawardene (Incorporated Valuer) - valuation report dated 26th March, 2019.	73A-03R-17.50P	62,000,000	27,357,721	62,000,000	27,357,721
No:723/53, "Lake Terrace" Jayasinghe Mawatha, Korathota Road, Athurugiriya.	D. Jayawardene (Incorporated Valuer) - valuation report dated 27th March, 2018.	23.52 P	7,150,000	6,016,123	7,150,000	6,016,123
"Kopiwatta" Lot No:A, Plowatta Road, Minuwangoda.	D. Jayawardene (Incorporated Valuer) - valuation report dated 25th May, 2018.	01A-0R-01..49P (0.4085 Ha.)	54,000,000	55,892,177	54,000,000	55,892,177
			582,950,000	399,678,109	573,950,000	393,818,513

Notes to the Financial Statements

	Balance as at 01.04.2019 Rs.	Additions Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2020 Rs.
23. INTANGIBLE ASSETS				
23.1. Gross carrying amounts				
Cost				
Intangible asset	29,598,737	32,952,128	-	62,550,865
	29,598,737	32,952,128	-	62,550,865
23.2. Amortization				
Intangible asset	18,555,127	3,775,399	-	22,330,526
	18,555,127	3,775,399	-	22,330,526
Net book value				
Intangible asset			31.03.2020 Rs.	31.03.2019 Rs.
			40,220,339	11,043,610
			40,220,339	11,043,610
24. FINANCIAL LIABILITIES DUE TO BANKS				
Due to banks- bank overdrafts			58,777,776	131,273,907
			58,777,776	131,273,907
25. OTHER LIABILITIES				
Accrued expenses and other payables			96,622,133	217,163,369
			96,622,133	217,163,369
26. FINANCIAL LIABILITIES - OTHER BORROWED FUNDS				
Securitized borrowings			5,031,560,902	3,607,522,368
Bank loans			1,054,764,424	1,351,213,247
			6,086,325,326	4,958,735,615

26.1. Securitized borrowings

	As at 31.03.2019 Rs.	Loans obtained Rs.	Interest for the period Rs.	Repayments Rs.	As at 31.03.2019 Rs.
26.1.1. Securitized borrowings					
Securitization Loan 07	28,218,033	-	4,884,283	33,102,316	-
Securitization Loan 12	81,614,478	-	829,377	82,443,855	-
Securitization Loan 14	16,131,616	-	868,665	17,000,281	-
Securitization Loan 15	49,999,000	-	2,860,411	52,859,411	-
Securitization Loan 16	252,001,829	-	20,056,139	180,959,604	91,098,364
Securitization Loan 17	703,378,775	-	55,550,086	649,571,218	109,357,643
Securitization Loan 18	253,211,278	-	15,246,991	215,136,653	53,321,616
Securitization Loan 19	453,792,839	-	39,508,405	344,646,521	148,654,723
Securitization Loan 20	427,115,767	-	50,260,360	276,923,077	200,453,050
Securitization Loan 21	314,675,723	-	34,418,481	325,538,462	23,555,742
Securitization Loan 22	622,264,150	-	90,443,712	183,467,420	529,240,442
Securitization Loan 23	405,118,879	-	56,000,111	283,351,358	177,767,632
Securitization Loan 24	-	1,000,000,000	127,537,585	323,737,205	803,800,380
Securitization Loan 25	-	600,000,000	58,047,041	141,785,397	516,261,644
Securitization Loan 26	-	347,691,599	35,119,519	46,580,370	336,230,748
Securitization Loan 27	-	333,000,000	29,367,004	81,450,959	280,916,045
Securitization Loan 28	-	500,000,000	40,134,078	74,350,370	465,783,708
Securitization Loan 29	-	300,000,000	18,787,834	29,198,192	289,589,642
Securitization Loan 30	-	500,000,000	22,473,733	-	522,473,733
Securitization Loan 31	-	171,109,418	7,360,474	-	178,469,892
Securitization Loan 32	-	300,000,000	4,585,898	-	304,585,898
	3,607,522,368	4,051,801,017	714,340,187	3,342,102,669	5,031,560,902

26.1.2. Bank loans

Sampath Bank loan 01	41,920,000	-	2,718,485	44,638,485	-
DFCC Vardhana Bank 01	49,999,990	-	3,917,127	53,917,117	-
DFCC Vardhana Bank 02	112,499,993	-	12,637,977	62,637,981	62,499,989
Sampath Bank Loan 02	248,611,111	-	27,328,270	143,994,936	131,944,445
HNB Bank Loan 01	70,007,155	-	5,542,921	75,550,076	-
Nations Trust Bank Loan 01	99,650,000	-	10,580,028	77,480,028	32,750,000
DFCC Vardhana Bank 03	203,124,998	-	24,518,310	87,018,318	140,624,990
HNB Bank Loan 02	220,000,000	-	24,166,797	144,166,797	100,000,000
Nations Trust Bank Loan 02	155,400,000	-	18,031,884	84,931,884	88,500,000

Notes to the Financial Statements

26. FINANCIAL LIABILITIES - OTHER BORROWED FUNDS (CONTD...)

	As at 31.03.2019 Rs.	Loans obtained Rs.	Interest for the period Rs.	Repayments Rs.	As at 31.03.2019 Rs.
DFCC Short Term Loan	150,000,000	-	5,967,137	155,967,137	-
DFCC Vardhana Bank 04	-	150,000,000	14,054,271	42,179,271	121,875,000
Sampath Bank Loan 03	-	200,000,000	22,787,983	68,437,983	154,350,000
HNB Bank Loan 03	-	250,000,000	10,685,888	38,465,888	222,220,000
	1,351,213,247	600,000,000	182,937,078	1,079,385,901	1,054,764,424

Bank	Approved facility	Purpose	Term of the loan	Security	Security amount Rs.
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26.2. Loan details

People's Bank - Securitization loan 16	Rs.395.6 Mn	Working capital requirements	30 monthly instalments	Lease and hire purchase loan receivable	Rs.128.5 Mn
HNB - Securitization loan 17	Rs.761.5 Mn	Working capital requirements	24 monthly instalments	Micro finance and group personal loan receivable	Rs. 143.4 Mn
People's Bank - Securitization loan 18	Rs.300 Mn	Working capital requirements	24 monthly instalments	Lease and hire purchase agreements	Rs. 73.6 Mn
People's Bank - Securitization loan 19	Rs.500 Mn	Working capital requirements	30 monthly instalments	Gold loan receivable agreements	Rs.206.4 Mn
NSB Bank - Securitization loan 20	Rs.399.6 Mn	Working capital requirements	24 monthly instalments	Hire purchase and Finance lease Agreements	Rs. 266.1 Mn
NSB Bank - Securitization loan 21	Rs.299.6 Mn	Working capital requirements	15 monthly instalments	Hire purchase and finance lease agreements	Rs. 31 Mn
HNB - Securitization loan 22	Rs.600 Mn	Working capital requirements	36 monthly instalments	Hire purchase and finance lease agreements	Rs. 794.5 Mn

Bank	Approved facility	Purpose	Term of the loan	Security	Security amount Rs.
HNB - Securitization loan 23	Rs.400 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 237 Mn
HNB - Securitization loan 24	Rs.1000 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 2249 Mn
HNB - Securitization loan 25	Rs.600 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 742 Mn
HNB - Securitization loan 26	Rs.347.6 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs.475.8 Mn
HNB - Securitization loan 27	Rs.333 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 387.7 Mn
HNB - Securitization loan 28	Rs.500 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 665.6 Mn
HNB - Securitization loan 29	Rs.300 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 426 Mn
HNB - Securitization loan 30	Rs.500 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 759.3 Mn
HNB - Securitization loan 31	Rs.171.6 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs. 263 Mn
HNB - Securitization loan 32	Rs.300 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	Rs.473.7 Mn

Notes to the Financial Statements

26. FINANCIAL LIABILITIES - OTHER BORROWED FUNDS (CONTD...)

Bank	Approved facility	Purpose	Term of the loan	Security	Security amount Rs.
DFCC Vardhana Bank 02	Rs.200 Mn	Working capital requirements	48 monthly instalments	Promissory note	Rs.200 Mn
Sampath Bank PLC 02	Rs.550 Mn	Working capital requirements	36 monthly instalments	Loan agreement for Rs.550 Mn.	N/A
DFCC Vardhana Bank 03	Rs.250 Mn	Working capital requirements	48 monthly instalments	Promissory note	Rs.250 Mn
DFCC Vardhana Bank 04	Rs.150 Mn	Working capital requirements	3 monthly instalments	Promissory note	Rs.150 Mn
Sampath Bank Loan 03	Rs.200 Mn	Working capital requirements	3 monthly instalments	Loan agreement for Rs.200 Mn.	Rs.200 Mn
HNB Bank Loan 02	Rs.300 Mn	Working capital requirements	30 monthly instalments	Mortgage bond over corporate loans and micro finance loan portfolio	Rs.300 Mn
Nations Trust Bank 01	Rs.200 Mn	Working capital requirements	36 monthly instalments	Mortgage bond over corporate loans and micro finance loan portfolio	Rs.200 Mn
Nations Trust Bank Loan 02	Rs.200 Mn	Working capital requirements	36 monthly instalments	Mortgage bond over loan recoverable consisting of business loan, corporate loan and mortgage loans	Rs.200 Mn

	31.03.2020 Rs.	31.03.2019 Rs.
27. RIGHT-OF-USE ASSET-LEASED LIABILITY		
Balance as at 01/04/2019	-	-
Day 1 impact from application of SLFRS 16	149,077,968	-
Restated balance as at 01/04/2019	149,077,968	-
Additions/renewal operating lease during the year	17,310,094	
Accretion of interest	17,234,710	-
Payments made during the year	(42,557,697)	-
Transferred from advances and prepayment	(14,864,202)	-
Balance as at 31/03/2020	126,200,873	-
Weighted average incremental borrowing rate as at April 1, 2019 (%)	15%	

27.1. Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption

Increase/(decrease) in incremental borrowing rate as at 31st March 2020 by 1% would have (decreased)/increased the lease liability by approximately Rs 3.5 Mn with a similar (decrease/increase) in Right-of-use asset. Had the company increased/(decreased) the incremental borrowing rate by 1%, the company's profit before tax for the year would have (decreased)/increased by approximately Rs 0.15 Mn.

	31.03.2020 Rs.	31.03.2019 Rs.
28. DUE TO CUSTOMERS		
Fixed deposits	6,585,234,705	6,617,344,955
	6,585,234,705	6,617,344,955

29. RETIREMENT BENEFIT OBLIGATION

Retirement benefit obligations - gratuity		
Balance at the beginning of the year	22,088,492	20,044,993
Amount charged for the year	9,116,872	5,992,249
Payments made during the year	(1,232,500)	(3,948,750)
Balance at the end of the year	29,972,864	22,088,492

29.1. Amount recognized in the statement of profit or loss

Current service cost for the year	4,611,505	3,268,464
Interest cost for the year	2,429,734	2,004,499
	7,041,239	5,272,963

Notes to the Financial Statements

29. RETIREMENT BENEFIT OBLIGATION (CONTD...)

	31.03.2020 Rs.	31.03.2019 Rs.
29.2. Amount recognised in other comprehensive income		
Actuarial loss for the year	2,075,633	719,285
	2,075,633	719,285

29.3. Messrs. Actuarial and Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the retirement benefit obligation for Asia Asset Finance PLC as at 31st March, 2020. The valuation method used by the Actuary to value the liability is the 'Projected Unit Credit Actuarial Cost Method' recommended by LKAS 19. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Actuarial assumptions	31.03.2020	31.03.2019
Discount rate	10%	11%
Salary increment rate	10%	6%
Staff turnover	33%	33%
Retirement age	55 years	55 years
Mortality	67/70 Mortality Table (Institute of Actuaries, London)	

29.4. Sensitivity analysis

In order to illustrate the significance of the salary increment rates and discount rates assumed in the valuation, the sensitivity analysis is as follows:

	31.03.2020 Rs.	31.03.2019 Rs.
Discount rate		
Effect on retirement benefit obligation due to 1% increase	28,929,457	21,569,870
Effect on retirement benefit obligation due to 1% decrease	31,096,299	22,635,301
Salary increment rate		
Effect on retirement benefit obligation due to 1% increase	30,994,362	22,605,686
Effect on retirement benefit obligation due to 1% decrease	29,006,336	21,589,925

	31.03.2020		31.03.2019	
	Number	Rs.	Number	Rs.
30. STATED CAPITAL				
30.1. Fully paid ordinary shares	124,195,533	1,791,478,691	109,097,018	1,640,493,541
30.1.1. Balance at the beginning of the year	109,097,018	1,640,493,541	839,207,833	1,388,935,273
During the year share consolidation	-	-	83,920,783	-
During the year shares issued	15,098,515	150,985,150	25,176,235	251,558,268
Balance at the end of the year	124,195,533	1,791,478,691	109,097,018	1,640,493,541

30.2. Rights of shareholders

The holders of ordinary shares confer their rights to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

	31.03.2020	31.03.2019
	Rs.	Rs.
31. STATUTORY RESERVE FUND AND OTHER RESERVES		
Statutory reserve fund	73,766,353	70,387,374
General reserve	3,000,000	3,000,000
	76,766,353	73,387,374

31.1. Statutory reserve fund

Statutory reserve fund is a capital reserve which contains profits transferred as required by Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No. 1 of 2003.

31.2. General reserve

General reserve represents the amounts set aside by the directors for general application.

32. EARNINGS PER SHARE

32.1. Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

32.2. The following reflects the income and share data used in the basic earnings per share computation.

	31.03.2020	31.03.2019
	Rs.	Rs.
Amounts used as the numerator:		
Net profit attributable to ordinary shareholders for basic earnings per share	70,153,366	100,929,818

Notes to the Financial Statements

32. EARNINGS PER SHARE (CONTD...)

	31.03.2020 Number	31.03.2019 Number
Number of ordinary shares used as denominator for basic earnings per share		
Weighted average number of ordinary shares in issue	124,097,289	107,445,733
Basic earnings per share	0.57	0.94

33. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the company makes various commitments and incurs contingent liabilities. No material losses are anticipated as a result of these transactions.

	31.03.2020 Notes	31.03.2019 Rs.
Number of ordinary shares used as denominator for basic earnings per share		
33.1. Commitments		
Promissory note to DFCC Bank PLC Loans	33.1.1	600,000,000
Undrawn commitments	33.1.2	80,417,899
Capital commitment on software licensing agreement		-
Asset Backed Securitization to Mpower Capital Limited		31,547,500
		1,000,000,000
	680,417,899	1,832,603,830

33.1.1. Promissory notes

The related loan balances on issued promissory notes are as follows as at the reporting date.

	Loan Promissory note Value	outstanding as at 31.03.2020
	Rs.	Rs.
Promissory notes to DFCC Bank PLC	600,000,000	324,999,979
	600,000,000	324,999,979

33.1.2. Undrawn commitments

Undrawn commitments consist of facilities granted to customers where the company reserves the right to unconditionally cancel or recall the facility at its discretion.

34. CONTINGENT LIABILITIES

The company does not have significant contingent liabilities as at the reporting date.

35. ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

Nature of assets	Nature of liabilities	Carrying amount pledged		Included under
		31.03.2020	31.03.2019	
Rs.	Rs.			
Lease and hire purchase loan receivables	People's Bank - Securitization loan 16	91,098,364	252,001,829	Lease rentals receivables and hire purchase
Micro finance and group personal loan receivable	HNB - Securitization loan 17	109,357,643	703,378,775	Loans and advances
Lease and hire purchase agreements	People's Bank - Securitization loan 18	53,321,616	253,211,278	Lease rentals receivables and hire purchase
Gold loan receivable agreements	People's Bank - Securitization loan 19	148,654,723	453,792,839	Loans and advances
Hire purchase and finance lease agreements	NSB Bank - Securitization loan 20	200,453,050	427,115,767	Lease rentals receivables and hire purchase
Hire purchase and finance lease agreements	NSB Bank - Securitization loan 21	23,555,742	314,675,723	Lease rentals receivables and hire purchase
Hire purchase and finance lease agreements	HNB - Securitization loan 22	529,240,442	622,264,150	Lease rentals receivables and hire purchase
Gold loan receivable agreements	HNB - Securitization loan 23	177,767,632	405,118,879	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 24	803,800,380	-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 25	516,261,644	-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 26	336,230,748	-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 27	280,916,045	-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 28	465,783,708	-	Loans and advances

Notes to the Financial Statements

35. ASSETS PLEDGED (CONTD...)

Nature of assets	Nature of liabilities	Carrying amount pledged		Rs.	Included under
		31.03.2020	31.03.2019		
Gold loan receivable agreements	HNB - Securitization loan 29	289,589,642		-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 30	522,473,733		-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 31	178,469,892		-	Loans and advances
Gold loan receivable agreements	HNB - Securitization loan 32	304,585,898		-	Loans and advances
Mortgage bond over corporate loans and micro finance loan portfolio	Nations Trust Bank Loan 01	32,750,000	99,650,000	Loans and advances	
Mortgage bond over corporate loans and micro finance loan portfolio	HNB Bank Loan 02	100,000,000	220,000,000	Loans and advances	
Mortgage bond over corporate loans and micro finance loan portfolio	Nations Trust Bank Loan 02	88,500,000	155,400,000	Loans and advances	

36. MATURITY ANALYSIS

An analysis of the total assets employed and the total liabilities at the year end, based on the remaining balance at the reporting date to the respective contractual maturity dates is given below:

Assets	Less than 3 months	3-12 months	1-3 years	Over 3 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	511,939,133	-	-	-	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	560,940,701	299,689,995	-	-	860,630,696
Financial assets at amortized cost - Loans and advances	4,279,579,118	1,250,137,969	1,402,629,791	1,980,700,772	8,913,047,650
Financial assets at amortized cost - Lease rentals receivable and hire purchase	130,117,075	631,822,907	2,354,995,225	609,553,495	3,726,488,702
Other assets	16,983,813	-	-	-	16,983,813
Income tax receivable	-	27,736,580	-	-	27,736,580
Deposits and prepayments	11,500,026	5,387,843	139,301,354	-	156,189,223

	Less than 3 months	3-12 months	1-3 years	Over 3 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets - Fair value through other comprehensive income / available for sale	-	-	-	506,659	506,659
Property, plant and equipment	-	-	-	138,032,482	138,032,482
Right-of-use assets	-	-	-	137,210,457	137,210,457
Investment property	-	-	-	399,678,109	399,678,109
Deferred tax asset	-	-	225,922,647	-	225,922,647
Intangible assets	-	-	-	40,220,339	40,220,339
As at 31.03.2020	5,511,059,866	2,214,775,294	4,122,849,017	3,305,902,313	15,154,586,490
As at 31.03.2019	4,024,233,678	2,004,522,052	4,412,667,636	3,458,071,054	13,899,494,420
Liabilities					
Financial liabilities - Due to banks	58,777,776	-	-	-	58,777,776
Other liabilities	96,622,133	-	-	-	96,622,133
Financial liabilities - Other borrowed funds	1,163,478,651	2,993,468,946	1,923,127,734	6,249,995	6,086,325,326
Lease liability	-	-	-	126,200,873	126,200,873
Due to customers	1,004,397,294	4,403,026,402	1,079,327,820	98,483,189	6,585,234,705
Retirement benefit obligation	-	-	-	29,972,864	29,972,864
As at 31.03.2020	2,323,275,854	7,396,495,348	3,002,455,554	260,906,921	12,983,133,677
As at 31.03.2019	3,152,333,887	3,407,485,868	3,088,283,717	2,298,502,866	11,946,606,338
Net amount					
As at 31.03.2020	3,187,784,012	(5,181,720,054)	1,120,393,463	3,044,995,392	2,171,452,813
As at 31.03.2019	871,899,791	(1,402,963,816)	1,324,383,919	1,159,568,188	1,952,888,082

Notes to the Financial Statements

37. CURRENT/NON-CURRENT ANALYSIS

	31.03.2020			31.03.2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	511,939,133	-	511,939,133	643,777,198	-	643,777,198
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	860,630,696	-	860,630,696	691,744,740	-	691,744,740
Financial assets - fair value through profit or loss / held for trading	-	-	-	125	-	125
Financial assets at amortized cost						
- Loans and advances	5,529,717,087	3,383,330,563	8,913,047,650	4,125,903,691	3,327,470,772	7,453,374,463
Financial assets at amortized cost						
- Lease rentals receivable and hire purchase	761,939,982	2,964,548,720	3,726,488,702	401,263,746	3,701,388,189	4,102,651,935
Vehicle stock	-	-	-	18,913,569	-	18,913,569
Other assets	16,983,813	-	16,983,813	16,511,803	-	16,511,803
Income tax receivable	27,736,580	-	27,736,580	3,732,303	-	3,732,303
Advances, deposits and prepayments	16,887,869	139,301,354	156,189,223	126,908,555	28,246,642	155,155,197
Financial assets - Fair value through other comprehensive income / available for sale	-	506,659	506,659	-	506,659	506,659
Property, plant and equipment	-	138,032,482	138,032,482	-	158,680,580	158,680,580
Right-of-use assets	-	137,210,457	137,210,457	-	-	-
Investment property	-	399,678,109	399,678,109	-	393,818,513	393,818,513
Deferred tax asset	-	225,922,647	225,922,647	-	249,583,725	249,583,725
Intangible assets	-	40,220,339	40,220,339	-	11,043,610	11,043,610
Total assets	7,725,835,160	7,428,751,330	15,154,586,490	6,028,755,730	7,870,738,690	13,899,494,420
Liabilities						
Financial liabilities - Due to banks	58,777,776	-	58,777,776	131,273,907	-	131,273,907
Other liabilities	96,622,133	-	96,622,133	217,163,369	-	217,163,369
Financial liabilities - Other borrowed funds	4,156,947,597	1,929,377,729	6,086,325,326	1,422,586,000	3,536,149,615	4,958,735,615
Lease liability	-	126,200,873	126,200,873	-	-	-
Due to customers	5,407,423,696	1,177,811,009	6,585,234,705	4,788,796,479	1,828,548,476	6,617,344,955
Retirement benefit obligation	-	29,972,864	29,972,864	-	22,088,492	22,088,492
Total liabilities	9,719,771,202	3,263,362,475	12,983,133,677	6,559,819,755	5,386,786,583	11,946,606,338
Net balance	(1,993,936,042)	4,165,388,855	2,171,452,813	(531,064,025)	2,483,952,107	1,952,888,082

38. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

38.1. Determination of fair value and fair value hierarchy

As at 31st March 2020, the company held the following assets carried at fair value on the statement of financial position. The company uses the following hierarchy for determining and disclosing the fair value of these assets by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

38.1.1. Assets measured at fair value

	31.03.20 20			
	Level 1	Level 2	Level 3	
	Rs.	Rs.	Rs.	Rs.
Financial assets - Fair value through other comprehensive income	506,659	-	-	506,659
Total assets at fair value	506,659	-	-	506,659

	31.03.20 20			
	Level 1	Level 2	Level 3	
	Rs.	Rs.	Rs.	Rs.
Financial assets - fair value through profit or loss / held for trading	125	125	-	-
Financial assets - Fair value through other comprehensive income	506,659	-	-	506,659
Total assets at fair value	506,784	125	-	506,659

Notes to the Financial Statements

39. FINANCIAL REPORTING BY SEGMENT

	Finance lease		Hire purchase		Gold Loan	
	31.03.2020 Rs.	31.03.2019 Rs.	31.03.2020 Rs.	31.03.2019 Rs.	31.03.2020 Rs.	31.03.2019 Rs.
Interest income	1,180,119,244	892,924,491	25,375	4,536,076	655,053,124	479,727,848
Other income	48,800,702	31,955,571	93,937	368,919	182,956,799	54,537,612
Total revenue	1,228,919,946	924,880,062	119,312	4,904,995	838,009,923	534,265,460
Segmental result	54,103,855	51,061,908	5,253	270,801	36,893,833	29,496,380
Value added tax on financial services						
Profits from operations						
Income tax (charge)/reversal for the year						
Net profit for the year						
Segment assets	3,711,805,061	4,098,865,738	14,683,641	3,786,197	4,203,492,692	2,702,639,260
Unallocated assets	-	-	-	-	-	-
Total assets	3,711,805,061	4,098,865,738	14,683,641	3,786,197	4,203,492,692	2,702,639,260
Segment liabilities	3,500,144,267	3,918,008,682	13,846,326	3,619,136	3,963,794,059	2,583,388,860
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	3,500,144,267	3,918,008,682	13,846,326	3,619,136	3,963,794,059	2,583,388,860

In determining segment results, expenses have been allocated on proportionate basis on interest income and the segment liabilities have been proportionately allocated based on the segment assets.

40. EVENTS OCCURRING AFTER THE REPORTING DATE

The outbreak of COVID-19 in the last quarter of the financial year has caused disruption to many local and global business and economic activities. The company has been closely monitoring the impact of the pandemic on its business operations as at year end and also in the immediate future. The company evaluated all guidelines issued by the Government as well as international best practices and has developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders. With the gradual commencement of economic activities by the public and private sectors after a stringent lockdown period of over a month, the company has evidenced a smooth transition with the resumption of business activities where the company is seeing a positive momentum.

However, given the volatile and evolving landscape, the company will continue to monitor the impacts on its operations and proactively take measures to ensure that the business continues as seamlessly as possible.

Loans and advances		Investment		Other		Total	
31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,092,476,205	1,251,396,330	116,035,130	94,076,200	-	-	3,043,709,078	2,722,660,945
50,176,795	50,397,488	280,000	38,264	6,601,968	8,807,179	288,910,201	146,105,033
1,142,653,000	1,301,793,818	116,315,130	94,114,464	6,601,968	8,807,179	3,332,619,279	2,868,765,978
50,305,907	71,871,023	5,120,836	5,195,986	290,655	486,237	146,720,339	158,382,336
						53,404,047	64,475,297
						93,316,292	93,907,039
						(23,162,926)	7,022,779
						70,153,366	100,929,818
4,709,554,957	4,750,735,203	860,630,696	691,744,865	-	-	13,500,167,048	12,247,771,263
-	-	-	-	1,654,419,442	1,651,723,157	1,654,419,442	1,651,723,157
4,709,554,957	4,750,735,203	860,630,696	691,744,865	1,654,419,442	1,651,723,157	15,154,586,490	13,899,494,420
4,440,998,790	4,541,115,265	811,554,364	661,222,533	-	-	12,730,337,807	11,707,354,476
-	-	-	-	252,795,870	239,251,861	252,795,870	239,251,861
4,440,998,790	4,541,115,265	811,554,364	661,222,533	252,795,870	239,251,861	12,983,133,677	11,946,606,337

Notes to the Financial Statements

41. RELATED PARTY DISCLOSURES

The company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. Details of significant related party disclosures are as follows:

41.1. Parent and ultimate controlling party

The ultimate parent of the company as at 31st March, 2020 is Muthoot Finance Limited.

41.2. Parent and ultimate controlling party

41.2.1. Muthoot Finance Limited

Relationship - Ultimate parent

	31.03.2020	31.03.2019
	Rs.	Rs.
Transactions during the year		
Expenses incurred for Muthoot Finance Limited	3,194,246	1,277,674

41.3. Transactions with key management personnel of the company

The key managerial personnel of the company are the members of its board of directors and the parent company. The following transactions were entered between the company and its key management personnel and their close family members.

	31.03.2020	31.03.2019
	Rs.	Rs.
41.3.1. Key management personnel compensation		
Short-term employment benefits paid	16,994,200	16,087,000
41.3.2. Other transactions with key management personnel		
Fixed deposits held	78,118,463	75,340,543
Uplift of fixed deposits	30,123,745	14,093,613
Interest expenses	11,007,355	6,141,619
41.3.3. Share transactions with key management personnel		
Number of ordinary shares held at the year end	1,400,000	1,400,000

42. RISK MANAGEMENT

As a financial institution, the company is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the company's activities. Managing these risks is critical for the sustainability of the company and plays a pivotal role in all activities of the company. The company has developed a culture within the organization, which shapes and influences the risk decisions taken by the management and the employees. The adequacy and the effectiveness of the risk management decisions taken by the company's management will be reviewed regularly through its committees and reported to the "Integrated risk management committee" for reference and guidance. The company believes that successful risk management will enable it to be resilient to any unfavourable event caused by internal or external factors.

42.1. Risk management committees

42.1.1 Assets and liability committee (ALCO)

ALCO is chaired by the chief executive officer and its representatives are the chief operating officer, general manager, the assistant general manager-finance, the senior manager-treasury and the assistant manager - analyst. The committee meeting is held once a month to monitor and manage the assets and liabilities of the company and also the overall liquidity position to keep the company's liquidity at healthy levels whilst satisfying regulatory requirements.

42.1.2. Integrated risk management committee (IRM)

The IRM committee, has the responsibility to monitor the overall risk process within the company. The IRM committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the board.

42.2. Credit risk

Credit risk is the likelihood that a borrower or counterparty will not honor its obligations in accordance with the terms of agreement. i.e the risk of default which is one of the most vulnerable risks faced by any financial institution. Credit risk is inherent to all financial institutions where the main business is lending. The main aim of the "credit risk management" is to minimize the risk and to maximize the risk adjusted rate of return of the financial institution.

42.2.1. Company's approach to credit risk

The company caters to mainly the small and medium corporate sector and to the retail sector. Therefore, the company has adopted a process where the credit evaluation is not restricted to its finances but also to qualitative factors, giving the company an opportunity to evaluate customer's operations, product feasibility, management structure etc.

In order to mitigate the risk of exposing into high risk sectors, the company has imposed sector restrictions and exposure ceilings. Effective management of portfolio ensures that the company avoids the risk of concentration of exposures. Further, the company is continuously conducting environment analysis and periodic reviews to monitor credit exposures, portfolio performance and to identify emerging credit risks.

The recoveries department consistently monitors portfolio delinquency and the collections. A monthly report is submitted to the chief executive officer on the performance of individual marketer.

Notes to the Financial Statements

42. RISK MANAGEMENT (CONTD...)

The credit policy of the company recommends an innovative approach in evaluating a borrower without hindering the credit quality. The company has introduced exposure ceilings, delegated authority levels for credit approval, internal risk rating model and risk based pricing through the credit policy.

The spread of COVID-19 has negatively impacted many firms, mainly through potential disruptions in manufacturing supply chains, domestic consumption, tourism and exports, posing downside risks to their earnings prospects. This has in turn impacted the capacity of such firms to meet contractual loan obligations leading to an increase in NPLs. However, the company has determined the impact of COVID 19 on its loans and advances portfolio as minimal and short term as the company has been providing more secured lending in the recent years and the majority of the customers in the portfolio do not belong to the industries significantly impacted by COVID 19. Further, the company believes relief measures granted in accordance with the government moratorium program will not dampen the recoverability of the loan facilities.

42.2.2. Analysis of credit quality - Maximum exposure to credit risk by class of financial assets

As at 31st March 2020	Subject to				
	Carrying amount	Not subject to ECL	12-month ECL (Stage 1)	Life time ECL - not credit impaired	Life time ECL - credit impaired
				(Stage 2)	(Stage 3)
		Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	511,939,133	511,939,133	-	-	-
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	860,630,696	-	-	-	-
	1,372,569,829	1,372,569,829	-	-	-
Loans and advances at amortized cost					
Gross loans and advances	9,819,980,963	-	5,791,952,342	542,827,585	3,485,201,037
Less : Impairment charge	906,933,313	-	58,249,662	29,179,872	819,503,779
Net carrying amount	8,913,047,650	-	5,733,702,680	513,647,713	2,665,697,258
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	4,014,813,440	-	2,787,829,382	452,754,414	774,229,644
Less : Impairment charge	288,324,738	-	95,808,518	32,169,730	160,346,489
Net carrying amount	3,726,488,702	-	2,692,020,864	420,584,684	613,883,155
Financial assets - fair value through other comprehensive income					
Gross carrying amount	7,006,659	7,006,659	-	-	-
Less : Impairment charge	6,500,000	6,500,000	-	-	-
Net carrying amount	506,659	506,659	-	-	-

As at 31st March 2020	Carrying amount	Not subject to ECL	Subject to		
			12-month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)
			Rs.	Rs.	Rs.
Cash and cash equivalents	643,777,198	643,777,198	-	-	-
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	691,744,740	691,744,740	-	-	-
Financial assets - fair value through profit and loss	125	125	-	-	-
	1,335,522,063	1,335,522,063	-	-	-
Loans and advances at amortized cost					
Gross loans and advances	8,293,241,005	-	6,128,718,981	313,400,161.00	1,851,121,863
Less : Impairment charge	839,866,542	-	179,587,839	32,390,823	627,887,880
Net carrying amount	7,453,374,463	-	5,949,131,142	281,009,338	1,223,233,983
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	4,275,258,850	-	3,542,416,480	300,427,914	432,414,456
Less : Impairment charge	172,606,915	-	87,045,635	11,147,399	74,413,881
Net carrying amount	4,102,651,935	-	3,455,370,845	289,280,515	358,000,575
Financial assets - Fair value through Other comprehensive income					
Gross carrying amount	7,006,659	7,006,659	-	-	-
Less : Impairment charge	6,500,000	6,500,000	-	-	-
Net carrying amount	506,659	506,659	-	-	-

42.2.3. Impairment assessment

Details of the company's impairment method are disclosed in Note 3.1.11.

42.2.4 Concentration of credit risk

The company's concentration of risk in relation to the lending portfolio is managed by the industry sector which is detailed below:

Notes to the Financial Statements

42. RISK MANAGEMENT (CONTD...)

	31.03.2020 Rs.	31.03.2019 Rs.
Manufacturing	328,068,438	677,748,000
Transport	138,269,834	161,707,000
Services	666,011,973	934,474,000
Agro-business and fisheries	186,986,891	274,136,000
Construction	163,498,090	110,011,000
Commercial trading	776,365,660	1,423,002,000
Others	11,575,593,517	8,987,421,855
Total lending portfolio	13,834,794,403	12,568,499,855
Loans and advances	9,819,980,963	8,293,241,005
Lease	3,982,071,675	4,241,856,650
Hire purchase	32,741,765	33,402,200
Total receivables	13,834,794,403	12,568,499,855

42.3. Market risk

Market risk is identified by the company as the possibility of loss to the company caused by changes in the market variables. Market risk mainly includes interest rate risk, liquidity risk, foreign exchange risk and country risk.

42.3.1. Interest rate risk

Interest rate risk is the potential negative impact on the net interest income based on rate fluctuations and impact to the profitability of the company. The company does not have variable interest rates and all facilities granted are on fixed interest rates. The global outbreak of the novel COVID-19 epidemic has resulted in consecutive reductions in policy rates and monetary easing policies by the Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates. The impact of reduction in interest rates on rate sensitive assets and liabilities and the subsequent profitability thereon is yet to be assessed.

When all borrowings and lending are done on fixed rates the net interest margin is affected due to the following reasons:

Maturity mismatch/GAP

One of the major concerns in financial business is the maturity mismatch, where the average loan period is over 2 years whilst the average deposit period is less than one year. Hence, where the interests are on an increasing trend the company's net interest margin will reduce.

Please refer note 36 to the financial statements for the maturity analysis.

Re-Investment risk

These are uncertainties with regard to interest rate at which the future cash flows could be re-invested. On an increasing trend, this would be beneficial for Asia Asset Finance PLC.

Net interest position

When the market rates are on a downward trend and the company's earning assets are higher than its liabilities, the risk of net interest position falling is high.

42.3.2. Liquidity risk

Liquidity is the ability to efficiently accommodate deposit as also reduction in liabilities and to fund the loan growth and possible funding of the off-balance sheet claims. Liquidity risk arises through maturity mismatch of loans and deposits.

The company considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of company-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

42.3.3. Foreign exchange (FOREX) and country risk

FOREX is the risk that finance companies may suffer loss as a result of adverse exchange rate movements. Country risk is the risk that arises due to cross border transactions. The uncertainty caused by the COVID 19 pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, since Asia Asset Finance PLC does not have any foreign borrowings or foreign transactions overseas except for Oracle financials licensing fee, the company concludes that COVID 19 impact on FOREX is not substantial on the company to conduct in-depth analysis. However, there is a slight impact when budgeting for this cost. The above risks are triggered by the treasury operations.

43. COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with presentation requirements for the current year.

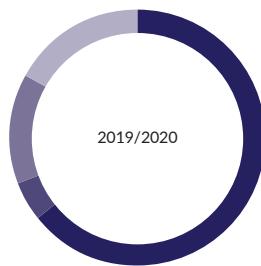
Supplementary Information

Value Addition

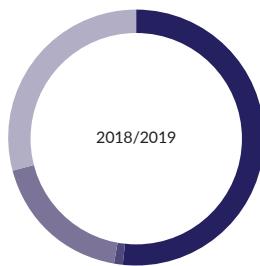
	2019/2020			2018/2019			2017/2018		
	Rs.	%		Rs.	%		Rs.	%	
Income	3,043,709,078.00			2,722,660,945.00			2,443,389,400.00		
Other Income	288,910,201.00			146,095,813.00			128,976,169.00		
Cost of borrowing and services	(1,704,234,090.00)			(1,433,366,344.00)			(1,233,214,297.00)		
Provisions	(381,645,114.00)			(357,620,797.00)			(333,396,606.00)		
Value Added Tax	(53,404,047.00)			(64,475,297.00)			(63,761,107.00)		
	1,193,336,028.00			1,013,294,320			941,993,559		

Distribution Value Added

To employees	317,624,067.00	64.64	286,069,853.00	51.72	270,220,407.00	43.58430608
To Government						
Taxes	25,238,559.00	5.14	6,303,494.00	1.14	47,469,439.00	7.656426033
To Expansion and Growth						
Retained Profit	67,579,581.02	13.75	100,009,132.99	18.08	180,784,952.50	29.15911049
Depreciation and Amortization	80,968,969.33	16.48	160,683,809.08	29.05	121,519,945.73	19.6001574
	491,411,176.35	100.00	553,066,289	100.00	619,994,744	100



- Remuneration and other benefits 65%
- Taxes 5%
- Retained Profit 14%
- Depreciation and Amortization 16%



- Remuneration and other benefits 51.72%
- Taxes 1.14%
- Retained Profit 18.08%
- Depreciation and Amortization 29.05%

Ten Year Summary

INCOME STATEMENT

Year ended 31 March	2011 LKR	2012 LKR	2013 LKR	2014 LKR
Income	327,593,843	435,341,934	626,800,329	768,716,521
Interest Income	206,628,351	378,483,748	589,316,038	732,367,042
Interest Expenses	(147,370,897)	(207,019,231)	(336,876,108)	(437,557,304)
Net Interest Income	59,257,454	171,464,517	252,439,930	294,809,738
Net Trading Loss on Equity Securities	-	(24,957,371)	(2,679,882)	5,684,335
Other Income	120,965,492	56,858,186	37,484,291	36,349,479
Net Operating Income	180,222,946	203,365,332	287,244,339	336,843,552
Less: Operating Expenses				
Personnel Costs	(32,329,757)	(76,401,233)	(118,289,225)	(123,044,068)
Provision for Staff Retirement Benefits Cost	(981,375)	(489,287)	(1,516,681)	(1,947,985)
Other General & Administrative Expenses	(77,453,688)	(88,292,343)	(96,156,535)	(138,765,746)
Reversal / (Provision) of Losses on Loans and Advances	(2,826,184)	(21,624,545)	(25,973,097)	(29,886,795)
Net Profit / (Loss) Before Income Tax Expenses	66,631,942	16,557,924	45,308,801	43,198,958
Income Tax (Charge)/Reversal	5,363,331	31,428,577	16,382,992	3,318,687
Net Profit / (Loss) after Taxation	71,995,273	47,986,501	61,691,793	46,517,645
Actuarial Loss on Retirement Benefit Liability	-	-	(41,739)	(196,156)
Income Tax on Other Comprehensive Income	-	-	11,687	54,924
Other Comprehensive Income for the Year Net of Tax	-	-	(30,052)	(141,232)
Total comprehensive Income for the Year	71,995,273	47,986,501	61,661,741	46,376,413
Earnings per Share	0.28	0.10	0.11	0.08

Figures in brackets indicate deductions

2015 LKR	2016 LKR	2017 LKR	2018 LKR	2019 LKR	2020 LKR
923,347,861	1,383,809,503	2,130,607,576	2,572,365,569	2,868,765,978	3,332,619,279
850,447,095	1,265,001,829	2,020,556,957	2,443,389,400	2,722,660,945	3,043,709,078
(480,997,160)	(592,688,880)	(919,297,655)	(1,233,214,297)	(1,433,366,344)	(1,704,234,090)
369,449,935	672,312,949	1,101,259,302	1,210,175,103	1,289,294,601	1,339,474,988
24,610,913	(7,947,048)	2,326,220	(31,406)	(9,220)	(125)
72,900,766	126,754,722	107,724,399	129,007,575	146,105,033	288,910,201
466,961,614	791,120,623	1,211,309,921	1,339,151,272	1,435,390,414	1,628,385,064
(178,237,431)	(249,869,486)	(335,295,267)	(264,465,472)	(280,796,890)	(310,582,828)
(2,630,870)	(3,123,711)	(4,906,571)	(5,754,935)	(5,272,963)	(7,041,239)
(158,582,482)	(244,947,298)	(327,883,585)	(513,394,290)	(633,317,428)	(782,395,544)
(24,748,372)	(83,947,606)	(227,348,081)	(333,396,606)	(357,620,797)	(381,645,114)
102,762,459	209,232,522	315,876,417	222,139,969	158,382,336	146,720,339
(1,576,656)	(34,014,398)	(37,827,608)	(43,914,542)	(57,452,518)	(76,566,973)
101,185,803	175,218,124	278,048,809	178,225,427	100,929,818	70,153,366
(1,049,754)	837,345	(2,100,296)	3,554,897	(719,285)	(2,075,633)
293,931	(234,457)	(588,083)	(995,371)	(201,400)	(498,152)
(755,823)	602,888	(2,688,379)	2,559,526	(920,685)	(2,573,785)
100,429,980	175,821,012	275,360,430	180,784,953	100,009,133	67,579,581
0.15	0.21	0.33	2.12	0.94	0.57

Ten Year Summary

BALANCE SHEET

	2011 LKR	2012 LKR	2013 LKR	2014 LKR
ASSETS	31,979,594	66,804,910	193,568,463	229,616,166
Cash & Cash Equivalents	94,592,860	88,255,490	129,938,359	184,467,915
Investment in Reverse Repurchase Agreements against Treasury Bills	40,863,010	204,666,796	242,652,390	112,059,685
Other Financial Assets	56,210,473	23,323,863	6,775,855	81,008,250
Financial Asset -Held for Trading	1,153,795,633	2,002,530,734	2,501,348,943	2,994,869,411
Loans & Advances Including Lease Rentals				
Receivables and Hirepurchase	7,949,894	7,771,958	578,617	578,617
Financial Asset-Available for Sale	33,118,250	22,935,143	8,755,453	8,928,571
Vehicle Stock	-	-	-	-
Real Estate Inventories	84,428,291	108,035,936	92,641,825	84,251,334
Other Debtors ,Deposits & Prepayments	9,175,825	6,759,699	6,252,769	3,870,578
Income Tax Receivable	28,264,509	50,676,540	57,152,755	53,733,373
Property, Plant & Equipment	32,934,517	42,934,517	32,934,517	98,352,117
Investment Property	13,887,934	53,786,050	77,714,479	88,626,969
Deffered Tax Asset	-	-	-	-
Right - of - Use asset on leases	1,587,200,790	2,678,481,636	3,350,314,425	3,940,362,986
LIABILITIES & EQUITY				
Liabilities				
Customer Deposits	1,351,662,050	1,921,449,893	2,591,165,554	3,033,741,505
Bank Overdraft	-	20,231,345	1,950	78,787,246
Borrowings	-	76,551,117	48,544,214	64,106,983
Creditors & Accruals	15,424,726	27,067,942	14,201,207	15,548,199
Retirement Benefits Obligation	2,754,750	3,244,037	4,802,457	6,703,598
Lease liability	1,369,841,526	2,048,544,334	2,658,715,382	3,198,887,531
Shareholders' Funds	-	-	-	-
Stated Capital	580,538,748	945,130,285	945,130,285	945,130,285
Reserves	(363,179,484)	(315,192,983)	(253,531,242)	(203,654,830)
Total Equity	217,359,264	629,937,302	691,599,043	741,475,455
Total Equity and Liability	1,587,200,790	2,678,481,636	3,350,314,425	3,940,362,986
Contingent Liabilities and commitments				
Net Asset per Share	0.54	1.13	1.24	1.33

Figures in brackets indicate deductions

Certification

The Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

2015 LKR	2016 LKR	2017 LKR	2018 LKR	2019 LKR	2020 LKR
446,524,236	690,797,870	601,891,827	660,159,119	643,777,198	511,939,133
259,698,505	328,866,266	433,333,648	622,975,267	691,744,740	860,630,696
9,254,835	8,817,330	50,204,691	207,458,481	125	-
69,263,955	48,244,689	-	-	-	-
4,137,897,770	6,527,840,413	8,263,046,222	9,528,388,590	11,556,026,398	12,639,536,352
578,617	506,659	506,659	506,659	506,659	506,659
46,797,426	-	-	262,088	18,913,569	-
41,698,793	34,468,475	-	-	-	-
71,228,510	75,137,577	80,386,384	83,535,832	171,667,000	173,173,036
3,472,184	-	-	362,927	3,732,303	27,736,580
79,304,388	156,612,515	173,110,135	158,845,214	169,724,190	178,252,821
80,842,794	143,706,564	306,253,164	352,385,530	393,818,513	399,678,109
97,845,584	100,402,344	118,202,709	112,814,714	249,583,725	225,922,647
-	-	-	-	-	137,210,457
5,344,407,597	8,115,400,702	10,026,935,439	11,727,694,421	13,899,494,420	15,154,586,490
3,672,180,230	4,796,299,899	5,681,178,140	6,356,067,246	6,617,344,955	6,585,234,705
62,326	166,925,303	36,031,902	454,920,306	131,273,907	58,777,776
344,516,666	1,609,833,175	2,476,518,223	3,001,078,792	4,958,735,615	6,086,325,326
31,553,729	68,455,301	77,540,353	36,650,813	217,163,369	96,622,133
10,384,222	12,355,588	18,774,955	20,044,993	22,088,492	29,972,864
					126,200,873
4,058,697,173	6,653,869,266	8,290,043,573	9,868,762,150	11,946,606,338	12,983,133,677
-	-	-	-	-	-
1,388,935,273	1,388,935,273	1,388,935,273	1,388,935,273	1,640,493,541	1,791,478,691
(103,224,849)	72,596,163	347,956,593	469,996,998	312,394,541	379,974,122.02
1,285,710,424	1,461,531,436	1,736,891,866	1,858,932,271	1,952,888,082	2,171,452,813
5,344,407,597	8,115,400,702	10,026,935,439	11,727,694,421	13,899,494,420	15,154,586,490
1.53	1.74	2.07	2.22	18.18	17.50

Notice of Annual General Meeting

NOTICE OF THE VIRTUAL 09TH ANNUAL GENERAL MEETING OF ASIA ASSET FINANCE PLC FOR THE YEAR ENDED 31ST MARCH 2019/2020

NOTICE IS HEREBY GIVEN that the 09th Annual General Meeting of Asia Asset Finance PLC will be held on 20th January 2021 at 10.30 am at the Board Room of Asia Asset Finance PLC at No.76, Park Street, Colombo 02.

AGENDA

- 1) To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st March 2020 and the report of the auditors thereon.
- 2) To re-elect Mrs. D.P Pieris who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers herself for re-election in terms of Article 88 of the Articles of Association.
- 3) To re-elect Mr. R. A. B. Basnayake who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.
- 4) To re-elect Mr. J. P. D. R. Jayasekara who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.
- 5) To re-elect Mr. V. A. Prasanth who was appointed to office on 27th April 2020 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association.
- 6) To re-appoint Messrs. BDO Partners Chartered Accountants as the Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS OF
ASIA ASSET FINANCE PLC



P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED
Secretaries

At Colombo, this 30 November 2020.

Notes:

*A member is entitled to appoint a proxy to attend and vote at this meeting on his/her behalf.

*A proxy need not be a member of the Company.

09th Virtual Annual General Meeting

Dear Shareholders,

Due to the prevailing Covid-19 pandemic in the country the 09th Annual General Meeting (AGM) of Asia Asset Finance PLC (the Company) is scheduled to be held on the 20th January 2021 at 10.30 a.m. at the Board Room of Asia Asset Finance PLC at No.76, Park Street, Colombo 02, in accordance with the guidelines issued by the Colombo Stock Exchange (CSE) on the convening of AGMs. To be in compliance with the government regulations on social distancing no shareholder will be permitted to be physically present at the venue except for the Board of Directors and the key officials in Company.

Shareholders who wish participate in the AGM via an online meeting platform will be forwarded log in information prior to the date of the meeting in the form of a video link. In order to enable such facility, the shareholders are will be requested to forward their details by perfecting the online registration form provided under Annex 1.

Since the postal services are limited in operations due to the current situation the Notice of the 09th AGM of the Company, Form of Proxy and the Annual Report will be available on the Company's official website 'www.asiaassetfinance.com' and on the CSE website 'www.cse.lk'.

BY ORDER OF THE BOARD OF DIRECTORS OF
ASIA ASSET FINANCE PLC



P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED
Secretaries

At Colombo, this 30 November 2020

Notes

Online Registration of Shareholder Details (Annex. 01)

To: Asia Asset Finance PLC
No.76, Park Street, Colombo 02.

01	<i>Name of the Shareholders</i>	
02	<i>Shareholder's Address</i>	
03	<i>Shareholder's NIC/ Passport No./ Company Registration No.</i>	
04	<i>CDS Account Number [If applicable]</i>	
05	<i>Shareholder's Contact Number</i>	
06	<i>Name of the Proxy Holder</i>	
07	<i>Proxy holder's NIC No. / Passport No. / Co. Reg No.</i>	
08	<i>Proxy Holder's Contact Number</i>	
09	<i>Shareholder's/ Proxy Holder's E-mail</i>	
10	<i>Shareholder's Signature</i>	

Notes:

1. All of the above information is mandatory, in order to participate at the meeting.
2. Online registration form is required to be forwarded to compliance@asiaassetfinance.lk on or before 18 January 2021 by 4.00pm
3. In the case of a corporate shareholder, the form must be signed under its Common Seal or by its authorized attorney.

Form of Proxy

I/We
 of being a Member/Members* of the above named Company,
 hereby appoint of failing him/her.

- | | | | |
|-----------------------------|----------------|--------------------------|----------------|
| (1) Mr. V.A. Prasanth | or failing him | (6) Mr. G. Alexander | or failing him |
| (2) Mr. R.J.A. Gunawardena | or failing him | (7) Mr. K.R. Biju | or failing him |
| (3) Mrs. D.P. Pieris | or failing her | (8) Mr. K.G.K. Pillai | or failing him |
| (4) Mr. R.A.T.P. Perera | or failing him | (9) Mr. R.A.B. Basnayake | |
| (5) Mr. J.P.D.R. Jayasekara | or failing him | | |

as my/our* proxy to represent me/ us* and speak and vote for me/us* on my/our* behalf at the Virtual 09th Annual General Meeting of the Company to be held on 20th January 2021 at 10.30 am at the Board Room of Asia Asset Finance PLC at No.76, Park Street, Colombo 02 and at any poll which may be taken in consequence thereof at the aforesaid meeting, and at any adjournment thereof.

I/WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	Against
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31 st March 2020 and the report of the auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mrs. D.P. Pieris who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers herself for re-election in terms of Article 88 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. R.A.B. Basnayake who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. J.P.D.R. Jayasekara who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. V.A. Prasanth who was appointed to office on 27th April 2020 will cease to be a Director and being eligible, offers himself for re-election under to Article 94 of the Articles of the Association.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs. BDO Partners Chartered Accountants as the Auditors to the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2020/2021

.....
 Signature of shareholder

.....
 N.I.C. No. /Passport no. / Company registration no.

Note:

1. A proxy need not be a member of the company.
2. Instruction as to completion appear overleaf

Form of Proxy

Instructions as to completion

1. Kindly perfect the Form of Proxy by filing in legibly your Full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be forwarded via e mail to *compliance@asiaassetfinance.lk* or deposited at P.W. Corporate Secretarial Services (Pvt) Ltd , 3/17, Kynsey Road, Colombo 08, Sri Lanka on or before 15 January 2021 to ensure that the proxies reaches the Company's Registrars before the date of the AGM. No registration of proxies shall be accommodated after the deadline.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

Corporate Information

Name of the Company

Asia Asset Finance PLC

Legal Form

Incorporated as a Private Limited Liability Company under the Companies ordinance, no 51 of 1938 (Cap 145) on 23 September 1970 and name changed under the Companies ordinance, no 51 of 1938 (Cap 145) on 03 October 2006 and Re-registered under the companies Act No.07 of 2007 on 23 January 2008 and converted to a public company under the companies Act No.07 of 2007 on 20 March 2012.

Registration Number (Under the Companies Act No.17 of 1982)

PVS/PBS 3266

New Registration Number (Under the Companies Act No.7 of 2007)

PB 139 PQ

Registered Office

No.76, Park Street, Colombo 02.

Telephone

011 5 89 93 00

Fax

011 2 57 74 77

E-mail

info@asiaassetfinance.lk

Website

<http://www.asiaassetfinance.com/>

Board of Directors of the Company

Mr. V. A. Prasanth
Mr. Rajiv James Abeywicrema Gunawardena
Mrs. Dayangani Priyanthi Pieris
Mr. Thusitha Perera
Mr. George Muthoot Alexander
Mr. Kuttikattu Rajappan Bijimon
Mr. Kiran Gopala Krishna Pillai
Mr. Rajitha Ananda Bandara Basnayake
Mr. Danasiri Rupakumara Jayasekara

Company Secretory

P R Secretarial Services (Pvt) Ltd
59, Gregory Road, Colombo 07.

Lawyers of the Company

Shiranthy Gunawardane Associates
22, Elliot Place, Colombo 8.

Company Auditors - External

BDO Partners
65/2, Sir Chiththapalam A Gardiner
Mawatha, Colombo 02.

Bankers of the Company :

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
National Development Bank PLC
Seylan Bank PLC
Indian Bank
Nation Trust Bank

Audit Committee

Mr. Thusitha Perera
Mr. Danasiri Rupakumara Jayasekara
Mr. V. A. Prasanth
Mr. Kiran Gopala Krishna Pillai
Mr. Rajitha Ananda Bandara Basnayake

Integrated Risk Management Committee

Mr. V. A. Prasanth
Mr. Thusitha Perera
Mr. Rajiv James Abeywicrema Gunawardena
Mr. Roshan De Silva Gunasekara (COO)
Mr. Danasiri Rupakumara Jayasekara
Mr. Kuttikattu Rajappan Bijimon

Remuneration Committee

Mr. V. A. Prasanth
Mr. Thusitha Perera
Mr. George Muthoot Alexander
Mr. Rajitha Ananda Bandara Basnayake
Mr. Danasiri Rupakumara Jayasekara

Related Party Transactions Review Committee

Mr. Danasiri Rupakumara Jayasekara
Mrs. Dayangani Priyanthi Pieris
Mr. Kuttikattu Rajappan Bijimon
Mr. Rajitha Ananda Bandara Basnayake

IT Committee

Mr. Rajitha Ananda Bandara Basnayake
Mr. Rajiv James Abeywickrema Gunawardena
Mrs. Dayangani Priyanthi Pieris
Mr. Danasiri Rupakumara Jayasekara

Credit Committee

Mr. Danasiri Rupakumara Jayasekara
Mr. Rajiv James Abeywicrema Gunawardena
Mr. V. A. Prasanth

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and produced by
Redworks.



www.asiaassetfinance.com