

Annual Report 2021/2022

Value is

PERFORMANCE

ASIA ASSET FINANCE PLC

Value is

PERFORMANCE

WITH A VOLATILE ECONOMIC BACKDROP, WE STRIVE TO GO BEYOND OUR LIMITS, INCREASING OUR COMPETITIVENESS TO SUSTAIN LONG TERM GROWTH. TO THIS END, WE HAVE MADE OUR PRESENCE FELT ACROSS THE NATION WITH PRUDENT STRATEGIC REFORMS TO EXPAND OUR REACH AND BOOST TECHNOLOGY ACQUISITION AND DIGITALISATION. IT IS THESE CHANGES THAT MADE OUR WORTH KNOWN TO THE PEOPLE AND CREATED A HALLWAY FOR OUR SURVIVAL AND PERSISTENCE. WE ARE IN THE PROCESS OF LAYING A STRONG FOUNDATION FOR BUSINESS VITALITY IN SUSTAINING LONG TERM GROWTH OF THE COMPANY.

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GOAL

"EMPOWERING PEOPLE
TRANSFORMING LIVES."

VISION

"TO BECOME A PREMIER FINANCE
COMPANY IN SRI LANKA."

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 organisation.

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

ABOUT THIS REPORT

Asia Asset Finance PLC is pleased to present the Second Integrated Annual report in accordance with the reporting requirement of the integrated reporting framework (IR) under the capital management reporting structure in providing our stakeholders with a comprehensive picture of the Company and its performance during the financial year 2021/2022.

REPORTING CONTENT, SCOPE, AND BOUNDARY

This Integrated Report covers the operations of Asia Asset Finance PLC from 1st April 2021 to 31st March 2022 and contains information relating to financial and non-financial developments of the Company including comprehensive coverage of operational and financial performance, strategy, risk management and compliance, an overview of corporate governance, sustainability practices, and future plans among other themes.

COMPLIANCE

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLAS), guided by the International Financial Reporting Standards (IRFS). Independent auditors have audited the Financial Statements and related notes. The sustainability aspects of the report are not externally assured.

INQUIRIES

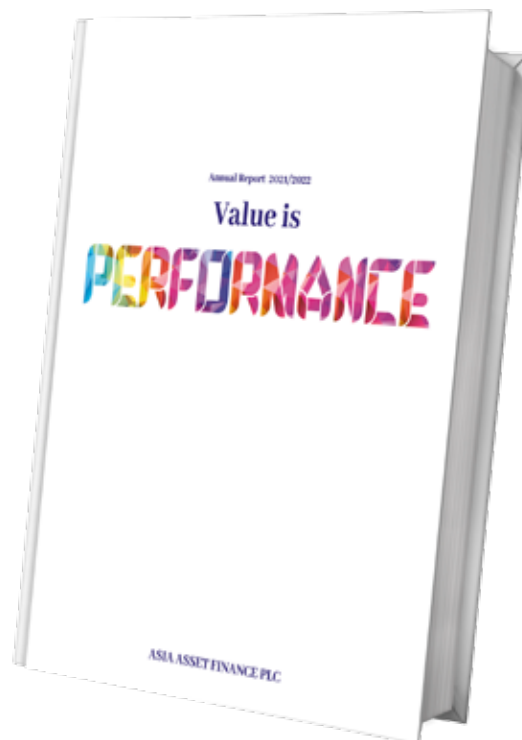
Queries and clarifications, if any, on this Annual Report are to be directed to:

Name: Poornima Lenora (Compliance Officer)

Department: Compliance Department

Tel.: 011 7 699 020

E-mail: poornima@asiaassetfinance.lk



ABOUT THE COMPANY

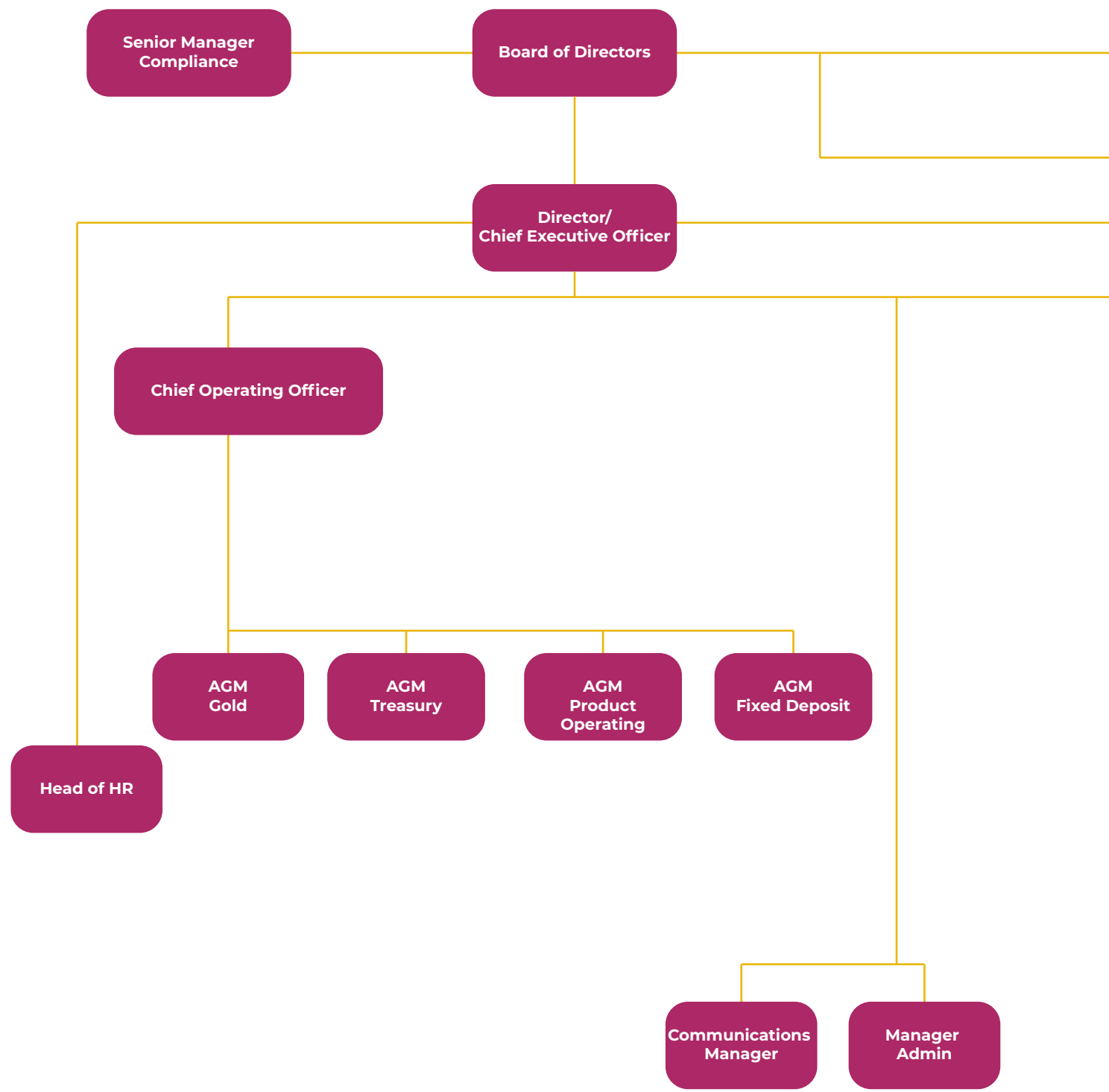
ASIA ASSET FINANCE PLC IS A FULLY LICENSED, INSTITUTION REGISTERED WITH THE CENTRAL BANK OF SRI LANKA AND IS A SUBSIDIARY OF MUTHOOT FINANCE LTD (INDIA). MUTHOOT FINANCE LTD IS THE LARGEST GOLD LOAN COMPANY IN INDIA AND AIMS TO MAKE ASIA ASSET FINANCE PLC THE LARGEST GOLD LOAN COMPANY IN SRI LANKA. ASIA ASSET FINANCE PLC HAS A HERITAGE OF MORE THAN 50 YEARS SERVING THE NEEDS OF PEOPLE IN SRI LANKA. THE COMPANY HAS SUCCEEDED IN ESTABLISHING ITSELF AS A LEADING FINANCIAL SERVICE PROVIDER IN SRI LANKA WITH AN 'A-' RATING (STABLE OUTLOOK) BY RATING AGENCY ICRA. THE BRANCH NETWORK HAS IMPROVED SIGNIFICANTLY WITH 59 BRANCHES ACROSS THE COUNTRY IN ORDER TO TAKE OUR INNOVATIVE PRODUCTS TO THE GRASS ROOTS OF SRI LANKA.

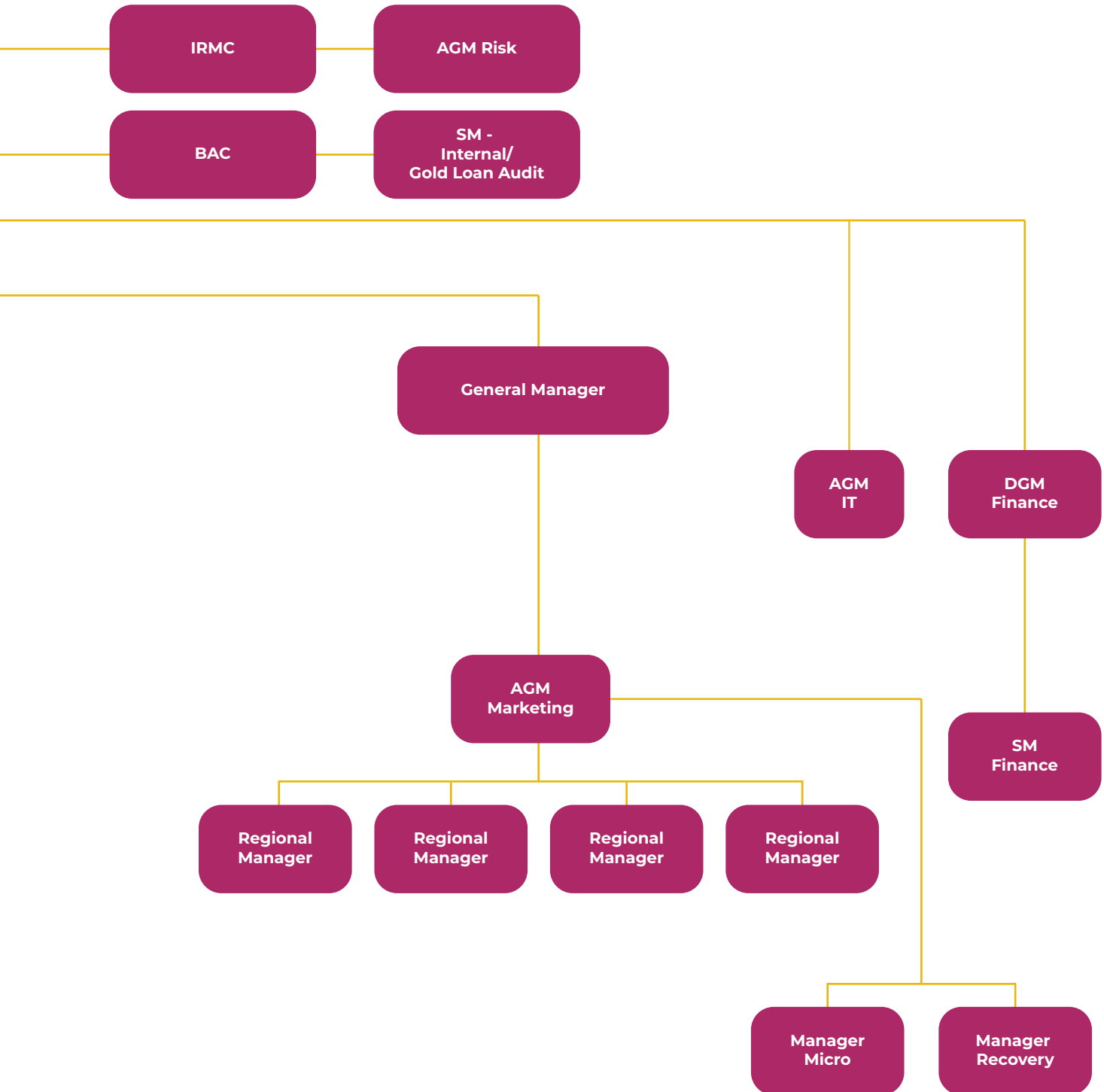
AS AN UNCONVENTIONAL FINANCE COMPANY, THE COMPANY CONTRIBUTES TO THE GROWING FINANCIAL NEEDS OF SOCIETY BY PROVIDING A MULTITUDE OF FINANCIAL PRODUCTS AND SERVICES TO INDIVIDUALS AND BUSINESSES. GOLD LOANS BEING THE LEADING PRODUCT.

WHILE SUSTAINING THE PROFITABILITY AND GROWTH OF THE COMPANY, ASIA ASSET FINANCE STRIVES TO EMPOWER ALL ITS STAKEHOLDERS TRANSFORMING THEIR LIVES.



ORGANIZATION STRUCTURE





PERFORMANCE HIGHLIGHTS

	2021/2022	2020/2021
Finance Performance(Rs Mn)		
Gross Revenue	3,182	2,955
Net Interest Income	1,252	1,263
Profit Before Tax	202	87
Taxation	(84)	(42)
Profit After Tax	118	45
Position as at the year end (Rs.Mn)		
Cash and Cash Equivalents	1,398	1,006
Loans and Recivables	15,813	12,411
Total assets	19,342	15,351
Fixed Deposits	8,695	7,012
Financial ratios (%)		
Profitability Perspective		
Net Interest Margin	7.98	9.06
Return on Assets (ROA)	0.61	0.29
Equity Holders		
Earnings per share(Rs)	0.95	0.36
Net Asset Value per share (Rs.)	22	18
Price Earning Ratio	7.02	15
Return on equity (%)	4	2
Statutory Ratio		
Tier 1 (Minimum requireemnt 7.5%)	27.77	16.75
Statutory liquidity ratio (Times)	24.10	13.57
Non Performing Ratio	12.14	19.18
Quality of Loan Portfolio) (%)		
Gross Non-Performing Loans Ratio %	12.14	19.18
Net-Non-Performing Loans Ratio %	2.89%	4.66%
Provision Coverage Ratio	69.6%	58.7%

Revenue
LKR 3,182 MN.

PAT
LKR 118 MN.

PBT
LKR 202 MN.

MANAGING DIRECTOR'S MESSAGE



118Mn.

Profit After Tax

I am pleased to inform you that Asia Asset Finance PLC performed well during the financial year 2021/2022, securing an "A-" rating further strengthening its asset quality by increasing the market share in Gold Loans. Amidst a most challenging period in Sri Lankan history with acute economic and political crisis, we as a Company were able to record a remarkable achievement improving our asset quality and expanding our branch network across the country to cater to the requirements of people.

The Company's Gross Revenue improved from LKR 2,955 Mn in 2021/2022 to LKR 3,182 Mn in 2021/2022. Likewise, the total assets improved to LKR 19,342 Mn compared to the LKR 15,351 Mn in the previous year along with most of the key financial indicators.

Our prudent strategic direction complimented by the robust business model enabled us to create enhanced value for all our stakeholders ensuring the sustainable growth of the Company during the year. One of our key strengths was developing a fully secured asset-backed loan portfolio. This was further driven by the continued expansion of our branch network across the country, the establishment of a digitalised platform with full automation of the Company's processes, as well as diversification of our product lines with the launching of savings as a product. These measures were attributable to the development and improvement of the stability of the organisation.

Our prudent
strategic
direction
complimented
by the robust
business
model enabled
us to create
enhanced
value for all our
stakeholders

Given the successful performance of the Company during the financial year, we will continue to focus on expanding the gold loan portfolio to 90% of our total loan portfolio while introducing fee-based products to complement our growing business model. Aligned with our digital revolution, we will also introduce a Mobile App to enhance the interaction between customers providing them solutions at their convenience via a digital platform without having to physically visit the branches. Our technology drive will continue with further digitalisation of internal processes and customer documentation to provide efficient and cost-effective processes.

Going forward, we intend to establish ourselves as the number one gold loan financing Company in Sri Lanka supported by a branch expansion strategy. In this journey, we are cognizant of the short-term challenges to industry performance with new taxes being imposed on the corporate sector and tighter regulation being implemented to fight the current economic downturn. However, being a gold-oriented finance company, we believe we are in a strong position to fight these challenges moving forward successfully.

I applaud the Asia Asset Finance Management team for their commitment and hard work and wish them all success in the goal of becoming a leading finance Company in Sri Lanka.



George Alexander Muthoot
Managing Director
Muthoot Finance Ltd
30th June 2022

CHAIRMAN'S MESSAGE



Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and the Audited Financial Statements of Asia Asset Finance PLC for the financial year 2021/2022. I am pleased to report that the Company demonstrated remarkable growth during the year, amidst numerous macro-economic challenges, closing the financial year with significant gains in returns on both financial and non-financial fronts.

The financial year 2021/2022 was a challenging year for the Sri Lankan economy as the COVID-19 pandemic continued to hamper the public and activities across all levels, particularly during the first part of the year. Added to this disruption was the weakened domestic economy hit hard by the widening trade deficit with increasing import bill, mounting forex crisis due to set back in tourism, exports & workers remittances, rapidly depreciating LKR against the US Dollar and the drop in people's disposable income amidst rising inflation and unemployment.

According to the World Bank, the real GDP is estimated to have expanded by 3.5% in 2021. Towards the latter part of the financial year (February 2022), the year-on-year inflation accelerated to 17.5%, primarily due to high food inflation at 24.7%, rising global fuel and commodity prices. Further, the Central Bank of Sri Lanka increased the statutory reserve ratio by 200 basis points during the financial year.

In this milieu, the NBFI sector endured a higher operating and interest cost while the reduced purchasing power in the hands of customers also had a dragging effect on the business in general. Given the volatility in the macro-economic setting, we at Asia Asset Finance PLC remain observant of its changing dynamics constantly pursuing a prudent strategic direction to sustain our progression.

COMPANY PERFORMANCE

The Company recorded exceptional performance during the financial year with Net and advances improving by 27% to LKR 15.81 Bn in 2022 from LKR 12.41 Bn in 2021. While our customer deposits grew by 24%, from LKR 7 Bn to LKR 8.70 Bn, the Company's earnings per share increased by 162% (from LKR 0.36 to LKR 0.95). Our Gold Loan segment remained the main growth driver during the year forming 76.5% of the total Loans portfolio.

162%

Increase in Profit After Tax

Our branch network expanded considerably during the year from 50 branches to 59, increasing the coverage across the nation. This expansion strategy enabled us to penetrate areas that we were not present in earlier enhancing our brand visibility to the common man. As a result, the Company's operating profit grew by 82% (from LKR 131 Mn to LKR 238 Mn) and profit after tax by 162% (from LKR 45 to LKR 118 Mn). Likewise, the Total assets improved by 26% to LKR 19.34 Bn in 2022 from LKR 15.35 Bn in 2021 while the Net assets per value Share improved to LKR 22.19 in 2022 from LKR 17.89 in 2021.

FORWARD LOOKING STRATEGY

Our forward-looking strategy coupled with strengthening of IT backbone and digitalisation of products and services have enabled us in reaching our business goals and strengthening our operations during the year. A key initiative in this regard was the establishment of a Risk Management Department within the organization for improving risk governance. This has enabled us to establish a proper risk management framework within the Company improving risk awareness amongst the staff members and at all levels of business activity. Besides, another significant milestone is our steadfast effort to pursue a digitalisation path to achieve cost controls and enhance customer experience. Our digitalisation efforts have resulted in achieving substantial cost reduction during the year.

In addition, aggressive retail Fixed Deposit mobilisation, streamlining & optimising of human resources for enhancing per employee business and improved digital footprint have all contributed to our outstanding performance during the year.

While these proactive measures have resulted in growth in profitability during the year, they also contributed to the improvement in CAR from 16.75% to 27.80% as well as upgrading of our rating to A- from BBB. The Company's secured asset percentage also improved to 83% of total loans and advances.

COMPETITIVE ADVANTAGE

We are a majority owned subsidiary of Muthoot Finance Ltd, the largest gold finance Company in India and this has enabled us to reinforce our position by capitalising on the industry expertise and established brand name of our parent. Building on the strengths of Muthoot Finance Ltd, we have adopted their product model to offer customer-friendly Gold Loan products in Sri Lanka. Besides, our competitive edge

is established through efficiency, speed and a customer-friendly approach, distinguishing our business from the other players in the industry.

CORPORATE GOVERNANCE

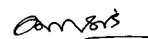
Considering our commitment for enhancing value to all our stakeholders, we have complied with all the required corporate governance standards including fulfilment of statutory requirements and adopted industry best practices across all levels of our business operations, for promoting sustainable growth. During the year, we improved the compliance culture further by streamlining our policies and procedures. There was also higher involvement of the Board of Directors for better risk management and corporate governance. We also have introduced more internal controls, system-based monitoring and automation of business processes for better control and operational efficiency.

WAY FORWARD

Going forward, we wish to emerge as the market leader among LFCs in Sri Lanka with a customer-first approach. While we are aware that external factors like increased fiscal and external risks, possible tightening of monetary policy, elevated inflation, currency depreciation and high commodity prices may make our journey challenging; we will be vigilant of such developments, taking necessary timely action to tide over the impediments and steer the Company forward. With the help of committed staff members, dedicated senior management and also guidance from Board & parent Company, we are optimistic and confident about our progression in the days to come.

THANK YOU!

I take this opportunity to thank all our customers who have been part of our 52 years' journey in Sri Lanka for standing by us. Also, my thanks to all other stakeholders and well-wishers who have helped us to achieve good results in a difficult year. Your confidence makes us stronger!



V. A. Prasanth
*Chairman/Independent
Non Executive Director*
30th June 2022

CHIEF EXECUTIVE OFFICER'S REVIEW



Dear Shareholder,

I am pleased to present to you the Annual Report and the Audited Financial Statements of Asia Asset Finance PLC for the year ended 31 March 2022. The challenges of 2021 continued to the year 2022, creating even more significant issues for the people of Sri Lanka, with both political and economic instability. Amidst unprecedented turmoil, Asia Asset Finance PLC business model once again proved to withstand the toughest challenges delivering an excellent performance during the year adding value to all our stakeholders.

Our rating upgrade during the year to a stable A- from BBB+ further endorsed the strength of our business model and the strategies adopted. AAF was one of the very few Companies to receive a rating upgrade during the year.

Our pinnacle product being Gold Financing, is recognized as the most stable financial product in the financial industry and AAF is the only company in the industry which can boast of having more than 60% of its product portfolio consisting of gold financing. Muthoot Finance, our Parent company is one of the world's largest gold financing companies based in India and continues to provide support to the strength and stability of our organization.

MACROECONOMIC AND SECTOR REVIEW

The COVID-19 pandemic gradually subsided during the latter stages of the financial year, but a lasting impact of the pandemic with its related consequences persisted. Our economy continued to slide down with economic growth limiting to 1.6% and our GDP remaining at -1.8% (March 31st).

The country situation deteriorated drastically since our last annual report. The cost of living has increased by 45.6% YOY and as a result, quality of life has been significantly affected in Sri Lanka. The agricultural sector has been left in disarray with inconsistent policies affecting the accessibility to fertilizer by our farmers. As a result, a majority of our customers were faced

27.7% ↑

Capital Adequacy Ratio

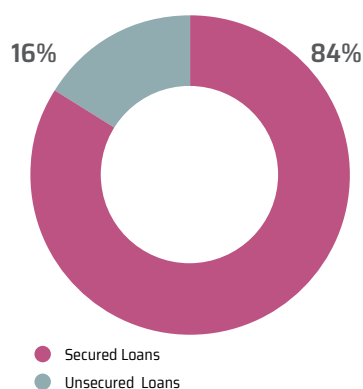
with challenging situations compelling us to make significant changes. SME sectors lost most of their Credit Lines as credit collections dropped significantly during post COVID-19 phase. The import restrictions also created a limited supply of goods resulting in a dramatic rise in the prices of goods. The SME sector had to adopt to these changes almost instantly making it challenging to have significant growth in their business. Most SMEs were forced to sought cost cutting mechanism's creating a domino effect on the suppliers and employees.

Despite gradual improvement in tourism in the latter stages of the financial year, the shortage of common resources and travel warnings issued to the country continue to hamper the growth of tourism. The cost of goods increased considerably during the year, significantly burdening the people of Sri Lanka. However, the rising prices in gold provided our Gold Loan portfolio with an added advantage and in turn benefited our customers. The price appreciation of this portfolio during the year under review grew by 97% strengthening our overall asset quality.

The Company's position

The company's core focus during the year was to strengthen its balance sheet to withstand the challenges of the future ensuring a fundamentally strong position. As a result, the company was able to increase its secured portfolio position up to LKR14.5Bn and grow our most valuable gold portfolio by LKR 5.08Bn, ensuring that gold loans consist of LKR 11.7Bn of our overall portfolio.

Portfolio Composition 2022



The YoY growth in our loan portfolio was 23.58%, out of which 76.5% grew in gold financing, confirming our dedication and commitment to the expansion in gold financing. The gold loan growth was maintained with a healthy LTV of 55% and AAF was able to attract 21,489 new customers during the year.

PERFORMANCE REVIEW

	2017	2018	2019	2020	2021	2022
Secured Loans	3,422,041,570	4,841,197,800	8,536,872,710	10,358,387,630	10,762,898,260	14,493,808,520
Unsecured Loans	5,128,655,900	5,161,994,340	4,031,627,150	3,476,406,770	3,272,096,840	2,851,204,120
Grand Total	8,550,697,480	10,003,192,150	12,568,499,850	13,834,794,400	14,034,995,100	17,345,012,640

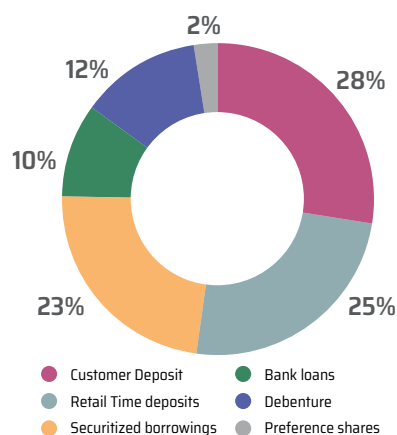
Furthermore, AAF continued to bring down our overall exposure to unsecured portfolio with focused collection strategies reducing our unsecured portfolio by LKR 420Mn (6.9%).

Chief Executive Officer's Review

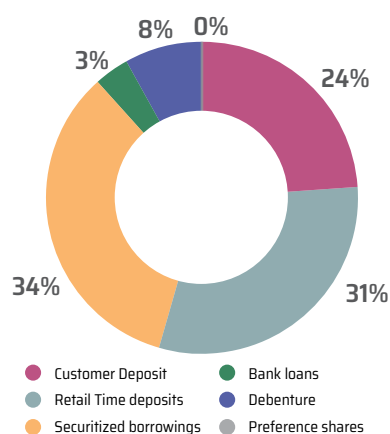
FUNDING MIX

AAF also successfully diversified its funding portfolio with increased emphasis on our retail fixed deposits to complement the retail gold loan product. Besides, the company also varied our funding sources with the introduction of debentures and preference shares. As a result, our funding portfolio mix was diversified as follows;

As At 31/03/2022 Funding Mix



As At 31/03/2021 Funding Mix



Our prudent funding strategies enabled us to maintain a healthy liquidity position and due to the above funding diversification, the company was also able to maintain a strong cash-flow position. The strength of our business model has attracted numerous new investors to AAF.

ASSET QUALITY

The non-performing accommodation of Asia Asset Finance was maintained at 12.48% which is an improvement from the previous year. The biggest contributors to our NPA portfolio continues to be our legacy portfolio of Micro Finance (1.89%) and SME Loans (4.86%) which currently comprise of LKR 2.5Bn of our overall loan portfolio. The Mortgages and Leasing also has a larger NPA percentage of 2.56% and this is mainly due to the discontinuation of these products since 2019 with no new lending activities at present. Hence, aggressive steps have been taken to recover the dues from these clients. However, current economic conditions have not been conducive to complement the recovery activities. Nevertheless, our main product, gold financing has a very low NPA of 0.87%, which indicates the actual quality of our portfolio.

The Net Asset Value Per Share increased from LKR 18 to LKR 22 during the year while the ROE improved from 2% to 4%. Similarly, EPS also showed an improvement of 0.95 from a previous 0.36. The above ratios clearly indicate that our business model has ushered steady progress and growth to our organization irrespective of the external circumstances.

A main highlight during the year is our capital adequacy ratio which continues to improve from 16.75% in the previous year to 27.7%, which is one of the key indicators that emphasize the strength and stability of the financial sector. This ratio is an indication of the actual strength of Asia Asset Finance business model and its ability to absorb the potential risks to the company.

THE COMPANY'S PERFORMANCE

Asia Asset Finance continues to show improved performance YOY in terms of profitability. During the year under review, the PBT reached LKR 202 Mn which was an improvement of 132.18% whilst the PAT reported at LKR 118 Mn, a 162.22% YOY growth. The profitability during the year is significant considering our aggressive branch expansion plan and our prudent provisioning of LKR 492.9 Mn which is the highest provisioning to date. Despite the Debt Moratorium, AAF continues to provide on loan facilities under the moratorium scheme to ensure greater transparency in our financials and to avoid unexpected challenges.

The Company witnessed a marginal increase in income, in comparison to the previous year with majority of the income coming from Gold Loans. The Net Interest Margin was maintained at 7.98% but our prudent cost control ensured that our performance in the Company improved despite an increase in provision and taxes.

The company continues to control costs and maintain a good cost to income ratio of 61.89% which is a 77.74% improvement from the previous year. All the newly opened branches were able to break even within the first 6 months of its operations confirming efficiency and effectiveness of our strategies. Also having a performance-based incentive model continues to motivate the staff to achieve the impossible challenges and improve the overall performance of the company.

TECHNOLOGICAL DEVELOPMENTS

Asia Asset Finance has allocated a significant number of resources and time to ensure that the company is up to date with the technological enhancements. We implemented one of the most advanced hardware systems and servers, a fully automated virtualization solution including automated disaster recovery features to cater to our five-year business plan. Furthermore, the company has concluded digital transformation and automation embracing the "Paperless concept" which has not only supported to reduce costs but have also supported to reduce carbon footprint. AAF also ensured monitoring systems are in place to allow permanent work from home opportunities for certain departments.

FUTURE GOALS AND OBJECTIVES

The year 2022/23 is expected to be one of the most challenging and difficult years for all sectors. The economic volatility coupled with political instability is expected to create a massive challenge for all Sri Lankans. These challenges will continue to test the strength and capacity of every organization in Sri Lanka and will become a case study for future generations. I am confident that the business model adopted by AAF will withstand even the hardest and most challenging conditions safeguarding the interests of our stakeholders.

Asia Asset Finance will continue to expand the branch network as well as the gold loan portfolio with prudent control mechanisms supported by one of the most capable internal audit teams in the sector. We also expect to see an increase in competition for gold financing which will gear the company to meet the challenges.

Going forward, the company will launch its very own Digital App Luck-eWallet to the market during the coming financial year, which will ensure that all our valued customers are able to access all our products and services at the comfort of their homes with a press of a button.

APPRECIATIONS

The commitment and dedication of my staff at Asia Asset Finance is truly commendable. The above achievements would not have been possible if not for the sacrifices they made during the year. Irrespective of the situation at hand, my staff continued to battle and overcame the challenges to bring success to Asia Asset Finance which makes me truly fortunate to lead my staff who have shown true team spirit and commitment during the year.

The Board of Directors and the Chairman have always been with the company throughout our journey and their guidance and the confidence bestowed upon the management has given us the strength and conviction that nothing is impossible. We continue to battle ahead with their assurance of support.

Muthoot Finance has been a pillar of strength for AAF as their knowledge and experience has truly given us an advantage in gold financing making us one of the most dominant players in the gold financing category in Sri Lanka.

I would also like to thank our Group Managing Director for his encouragement and support to help us re-define our business model which has given us strength and stability.

Last but not the least, I wish to thank all our customers and investment partners who have maintained great relations with the company. Our success was possible due to the trust you have placed in us and will continue to work tirelessly to maintain it.



Rajiv Gunawardena
Chief Executive Officer
30th June 2022

BUSINESS MODEL

INPUT

FINANCIAL CAPITAL

Optimum Product Mix
Liquid Asset Maintenance
Pricing

01

Manufactured CAPITAL

Expansion in branch network

02

HUMAN CAPITAL

Outsourced Service Providers
Customer Deposits
People Development
Talent Management
Rewards and Retention
Disciplinary Monitoring

03

INTELLECTUAL CAPITAL

Brand building
Compliance
Building corporate culture

04

Social and Relationship Capital

Building relationship with all stake holder

05

VALUE GENERATION PROCESS

Risk and Opportunities
Trends

ASSET
ASIA
FINANCE

Sustainable Development
Capacity Building
Widespread Access to Finance
Innovative Approach

OUTPUT



FINANCIAL CAPITAL

Budgeted Profitability and Balance Sheet
Growth Achievement
Maintenance of Statutory Capital Adequacy Requirements
Budgeted Dividend Declaration
Enhancement of Reserves
Share Price Increase



CUSTOMER CAPITAL

Deposit and Lending Portfolio Growth
Increased Customer Satisfaction
Increased Repeat Customers
Enhanced Brand Value
Increased Cross Selling



HUMAN CAPITAL

Increased Employee Productivity
Motivated Workforce
Reduced Turnover
Increased Internal Recruitment
Compliance with Internal Processes



INTELLECTUAL CAPITAL

Enhanced Organisational Know-how
Development of Best Practices and Process Excellence
Ability to predict and face Industry challenges



Social and Relationship Capital

Increased customer retention
Wider customer reach

OPERATING ENVIRONMENT

MACRO-ECONOMIC ENVIRONMENT

Global Economy

The Global economy was on the recovery path from the effects of the pandemic though it was disrupted by the spill over effects of the Russia-Ukraine conflict. According to the World Economic Outlook (WEO) of the International Monetary Fund (IMF) released in April 2022, global economic growth is estimated at 6.1% in 2021, compared to a contraction of 3.1% in 2020. During 2021, advanced economies were estimated to have recorded a growth of 5.2%, while the estimated growth for emerging market and developing economies stood at 6.8%.

Further, disruptions to global supply chains due to frequent and large-scale lockdowns in China, persistent inflationary pressures leading to tightening of monetary policies of many countries and withdrawal of fiscal policy support previously provided across the world to aid the impact of the pandemic continue to affect the global growth prospects.

Global Economic Developments and Outlook (a)

Item	2020 (b)	2021 (c)	2022 (Pro.)	2023 (Pro.)
World Output	-3.1	6.1	3.6	3.6
Advanced Economies	-4.5	5.2	3.3	2.4
United States	-3.4	5.7	3.7	2.3
Euro Area	-6.4	5.3	2.8	2.3
United Kingdom	-9.3	7.4	3.7	1.2
Japan	-4.5	1.6	2.4	2.3
Emerging Market and Developing Economies	-2.0	6.8	3.8	4.4
Emerging and Developing Asia	-0.8	7.3	5.4	5.6
China	2.2	8.1	4.4	5.1
India	-6.6	8.9	8.2	6.9
World Trade Volume (Goods and Services)	-7.9	10.1	5.0	4.4
Price Movements				
Consumer Prices				
Advanced Economies	0.7	3.1	5.7	2.5
Emerging Market and Developing Economies	5.2	5.9	8.7	6.5
Commodity Prices (US\$)				
Oil	-32.7	67.3	54.7	-13.3
Non Fuel	6.8	26.8	11.4	-2.5

(a) Annual percentage change unless otherwise indicated
(b) Revised
(c) Provisional

Source: World Economic Outlook (April 2022), IMF

Sri Lankan Economy

The Sri Lankan economy recovered during the first phase of 2021 from the historical contraction recorded in 2020 supported by developments in the key economic sectors, overall normalisation of activities setting into the 'new normal' environment, and the fiscal and policy stimuli of the government to uplift the affected communities due to COVID-19. All the key sectors including agriculture, services and industry registered growth during the period. According to Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7 % in 2021, in real terms, compared to the contraction of 3.6 % recorded in the preceding year.

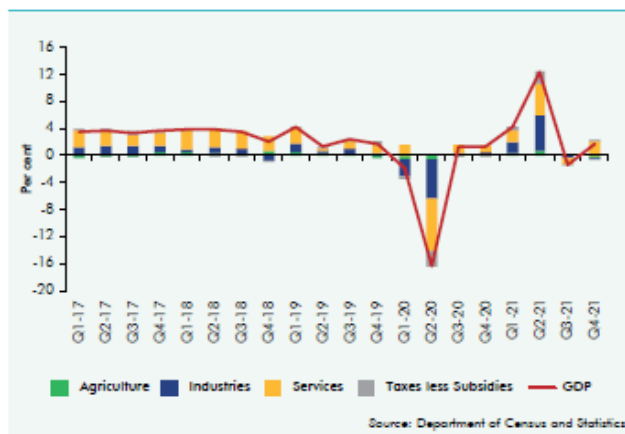
Macroeconomic Performance (2017-2021)

Indicator	Unit	2017	2018	2019	2020 (a)	2021 (b)
Real Sector (d)						
Real GDP Growth	%	3.8	2.3	2.3 (e)	-3.8 (b)	3.7
GDP at Current Market Price	Ru. bn	13,328	14,291	14,997 (b)	15,027 (b)	16,804
Per Capita GDP (d)	US\$	4,377	4,087	3,848 (b)	3,695 (b)	3,816
External Sector						
Trade Balance (d)	% of GDP	-11.0	-11.8	-9.5	-7.4	-9.4
Current Account Balance (d)	% of GDP	-2.9	-2.2	-2.3	-1.5	-4.6
Current Account Balance	US\$ mn	2,368	-1,100	377	-2,328	-3,567
External Official Reserves	US\$ mn	7,994	6,919	7,542	3,894	3,129
Fiscal Sector (d)(e)						
Current Account Balance	% of GDP	-0.7	1.2	3.6 (f)	7.9	7.7
Primary Balance	% of GDP	0.02	6.4	3.6 (f)	-4.8	-6.0
Overall Fiscal Balance	% of GDP	-4.5	-4.3	-9.6 (f)	-11.1	-12.2
Central Government Debt (g)	% of GDP	77.9	84.2	86.9 (f)	100.6	104.4
Monetary Sector and Inflation						
Money Growth (H ₁) (h)	%	16.7	12.0	7.0	23.4	13.2
Private Sector Credit Growth (H ₁) (h)	%	14.7	13.9	4.2	6.5	13.1
Annual Average Inflation (i)	%	6.8	4.3	4.3	4.6	6.0

(a) Revised
(b) Provisional
(c) Based on the GDP estimates (base year 2010) of the Department of Census and Statistics.
(d) Estimates obtained with latest population figures.
(e) Based on the revised GDP estimates for 2019 and 2020 made available on 29 March 2022 by the Department of Census and Statistics.
(f) According to the Ministry of Finance, the fiscal sector statistics of 2019 have been restated as announced in the Budget Speech for 2020.
(g) Includes Treasury bonds of Rs. 13,128 million issued to repurchase Sri Lankan Airlines in March 2012 (included on 01 June 2018) and Rs. 18,041 million issued to the Central Bank under the Capital Market Development Fund (included on 01 January 2017 and the current outstanding is Rs. 54,662 million).
(h) Year-on-year growth based on end year values.
(i) Based on CIPR (2010=100).

Source: Department of Census and Statistics
Ministry of Finance
Central Bank of Sri Lanka

Activity-wise Contribution to GDP Growth



This steady recovery of the economy led to the decline in the unemployment rate to 5.1 % in 2021 from the 5.5 % recorded during the previous year. Meanwhile, headline inflation accelerated in encouraged mainly by global and domestic supply side disturbances, the surge in global commodity prices and upward revisions to administered prices, while core inflation increased due to slow monetary accommodation.

The growth impetus took a downward trend towards the latter part of the year with COVID-19 rising heads again with full intensity disrupting the daily life and the business environment with lockdowns and movement restrictions. Subsequently the economy contacted with several key sectors showing subdued performance. The Country was also faced with an acute foreign exchange crisis with a dearth in government reserves exacerbated by the rising import bill, drop in tourism and workers remittances, and the depreciation of the Sri Lankan rupee against the US dollar.

There were signs of a spiralling economic crisis towards the end of 2021 with several deep-rooted structural problems and issues over several decades coming to the foreground creating unparalleled socio-political tension at the early phase of the 2022. The already vulnerable economy with prolonged adverse impact of COVID-19, lack the strength to withstand the pressure of a decelerating economy and its associated civil unrest. Apart from the issues accumulated overtime, the unprecedented policy measures due to expected fiscal responses not coming through created space for macroeconomic instability during the financial year. Persistent increase of pressure on the exchange rate with scarcity of reserves in the domestic foreign exchange front also added to the prevailing market conditions creating an uncertain economic outlook.

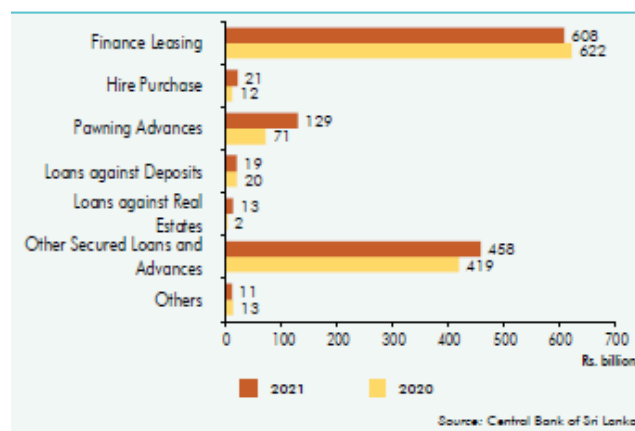
Lack of foreign currency and continued price instability with inflation rising exponentially, and the consequent inability to pay for essential goods and raw material have created shortages of food, medicines and fuel leading to calamities in the power and energy sectors imposing long hours of daily power cuts. The situation has cascaded into all sectors of the economy from agriculture to fisheries and also from trading, services as well as the manufacturing sectors. The production of all economic sectors has thus been affected resulting in a contraction of the GDP and economic growth due to reduced production.

PERFORMANCE OF SPECIALISED LICENSED COMPANIES, LICENSED FINANCE COMPANIES, (LFCs) AND SPECIALISED LEASING COMPANIES (SLCS) SECTOR

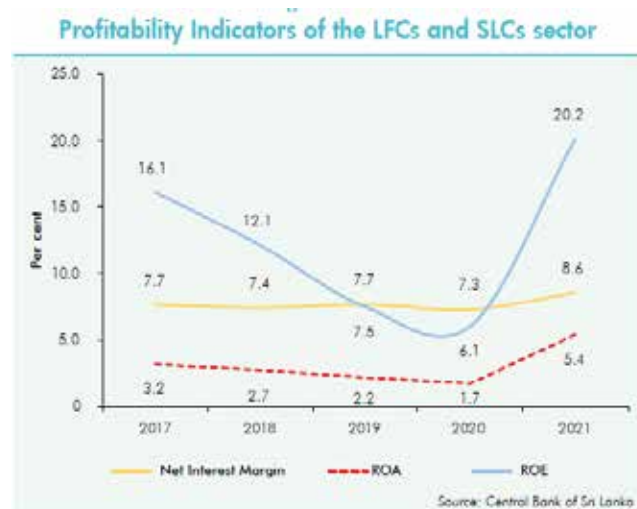
There was an improvement in performance of the LFCs and SLCs during the financial year in terms of credit growth and profitability. The total assets of the sector remained at Rs. 1,487.7 billion as of end 2021, indicating 5.6 % of the assets of Sri Lanka's financial system. Overall, the sector remained stable with healthy capital and liquidity levels above the minimum regulatory requirement despite some institutions facing difficulties to meet the regulatory requirements at an individual level.

As the Central Bank continued to monitor LFCs/SLCs with weak financial positions, there is the ongoing implementation of the Financial Sector Consolidation Masterplan (Masterplan) to build a robust and steady LFCs in the medium term to safeguard the depositors of the non-bank financial institutions sector. Besides, there are several measures introduced to provide LFCs and SLCs with flexibility to support the businesses and individuals affected by the outbreak of the COVID-19 pandemic.

Total Loans and Advances (Gross) by Productwise for 2020 and 2021



Operating Environment



Composition of Assets and Liabilities of the LFCs and SLCs Sector

Item	2020 (a)		2021 (b)		Change (%)	
	Rs. bn	Share (%)	Rs. bn	Share (%)	2020 (a)	2021 (b)
Assets						
Loans and Advances (net)	1,039.8	74.2	1,142.5	76.8	-5.7	9.9
Investments	158.9	11.3	167.4	11.3	20.2	5.4
Other	203.0	14.5	177.9	12.0	2.6	-12.4
Liabilities						
Total Deposits	748.6	53.4	783.3	52.7	-1.1	4.6
Total Borrowings	328.0	23.4	325.9	21.9	-19.1	-0.6
Capital Elements	248.1	17.7	304.0	20.4	22.1	22.6
Others	77.0	5.5	74.5	5.0	14.6	-3.3
Total Assets/Liabilities	1,401.7	100.0	1,487.7	100.0	-2.2	6.1

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka

Assets: The sector's asset base increased by 6.1% during the year compared to the contraction witnessed during the previous year lead by the growth in the loans and advances portfolio. Loans and advances accounted for 76.8 % of the total assets of the sector with finance leasing being predominant within the sector. However, the expansion of the leasing portfolio was affected by the government-imposed restrictions on vehicles imports as a measure to restrict FX outflows.

Liabilities: The liabilities of the LFCs and SLCs sector was dominated by the customer deposits that accounted for 52.7 % share. Subsequently, the deposits increased by 4.6 % (Rs. 34.7 billion) to Rs. 783.3 billion, though borrowings declined by 0.6 % (Rs. 2.1 billion) to Rs. 325.9 billion during the year.

Profitability: The net interest income of the sector considerably increased by 18.2% in 2021 recording Rs. 131.4 billion. This was due to the significant decline in interest expenses by 27.1 % despite the decline in interest income by 5 %. The net interest margin of the sector (net interest income as a percentage of average assets) increased to 8.6 % in 2021 from the 7.3 % in 2020. This was mainly attributable to a greater increase in the net interest income compared to the marginal increase in (gross) average assets.

Market Risks: The sector continued to experience a low market risk which comprises interest rate risk and equity risk.

Equity Risks: During the period under review, equity risk of the sector remained low as the exposure to equity market in the form of investments in listed shares declined to 0.8 % in 2021 from 1 % of total assets in 2020.

COMPANY PERFORMANCE

Despite the challenges in the macroeconomic front, the Company performed well during the year under review recording healthy profits and improved quality of the portfolio. This impressive performance combined with the strength of the holding Company resulted in an upgrading of the Company's rating from BBB + to A – by ICRA Rating Limited.

A critical challenge during the period was the Country's acute economic crisis that has reached the verge of bankruptcy. Even though the Company is not exposed to any foreign debts, the rising interest rates, rising inflation as well as the turbulent nature of the economy created immense challenges to the business activities and operations of the Company.

Although the rising interest rates attracts the fixed deposits to the Company, the high cost of funds may have an impact on the lending rates and thus on the customer appetite for credit in the market. In such case, it may deplete Net Interest Margins of the Company and profitability, if not managed prudently.

Furthermore, the continuing political instability in the Country also created challenges to the Company's activities as the related violence in the capital city and across the regions disrupting the Company operations thus affecting the sustainable growth. However, the Company's foresighted strategic planning way before the emergence of the economic crisis reach its climax, through strategizing its product portfolio along with the branch expansion policy have ensured our endurance during these pressing times.

The Company continued to expand its branch network opening 26 branches during the COVID-19 pandemic period (wave 1 and wave 2) when the other Non-Banking Financial Institutes took a 'go slow' policy. The Company also took prudent measures to realign the product portfolio from unsecured [Business Loans, Micro Finance, Personal Loans] to secured [Gold Loans and Micro Mortgages] products. In addition, we temporary suspended the leasing of vehicles given the artificial inflation of vehicle prices due to import ban although the said facilities are backed by an asset, the long-term nature of the product as well as the price fluctuations posed a threat to the recoverability of the financial advances granted. Aside from, the continuous debt moratoriums extended was also affecting the repayment of the leases. However, our low exposure to the product enabled us to mitigate the risks. The management is confident that the company can withstand the external challenges with the prudent strategic measures in place well in advance of the crisis such as the shifting of the product portfolio composition and matching the rates and the maturities of the borrowing and lending thus maintaining a reasonable NIM that will enable to reach the goals and objectives of the company during the crisis period as well.

STAKEHOLDERS

At Asia Asset Finance PLC, we consider engaging with our stakeholders as a significant aspect of ensuring sustainable value creation and the long-term growth of the Company. Encouraging the proactive engagement of all our stakeholders thereby deriving their opinions and insights remains invaluable in building an effective strategy and implementing change. Therefore, we have identified several key stakeholders that include shareholders, employees, suppliers, investors, customers, regulators, and the community who impacts our operations determining the Company's bottom line. Therefore, we remain committed to creating maximum value for all our stakeholders in ensuring continued business progress.

Stakeholder	Purpose of engagement	Mode of Engagement	Engagement Mechanism	Frequency of Engagement
Shareholders or other investors	To provide timely and relevant information to existing/ potential investors ensuring competitive returns to their investments	Investor forums via online platforms	Annual reports and Annual General Meetings	Annually
			Extraordinary General Meetings	As necessary
			Interim financial statements	Quarterly
			Press releases & CSE announcements	As necessary
			Investor forums	Quarterly
			Corporate Website	Ongoing (Continuously)
Customers	Create product awareness	Communication using online platforms and digital communication tools	Personalised interactions	Continuous
	To provide a high level of service		Customer complaint handling process	Continuous
	Obtaining customer feedback (customer complaints/suggestions)		Customer Satisfaction Surveys	Quarterly
	Maintain customer relations		Market Surveys	Bi annually
			Communication through multiple media platforms	Continuous
			Corporate Web site	Continuous
Employees	Engaging in the value creation process	Face to face discussions and engaging through Online platforms (Internal & External)"	Training & Development	As required
			Individual performance Appraisals	Annually
			Intranet	Continuous
			Code of conduct and Whistle Blower Policy	Continuous
			One to one interactions based on our open-door policy	Quarterly
			Confidential employee satisfactory survey.	Quarterly
			Fostering a work-life balance	Continuous

Stakeholder	Purpose of engagement	Mode of Engagement	Engagement Mechanism	Frequency of Engagement
Government and the Regulators	To ensure compliance with Corporate Governance best practices and all other regulatory requirements	Discussion through online platform	Off-site surveillances with periodic returns.	Weekly, Monthly, Quarterly and Annually
			On-site surveillances	Annually
			Compliance with directives and circulars	Continuous
			Meetings, consultations & press releases.	As necessary
			Dedicated personnel for continuous, personalized interaction	Continuous
Community	To strengthen relationships with communities in which we operate	Communicating through online platforms and digital communication tools	Corporate website and social media page.	Continuous
			Establishment of a CSR Committee	Continuous
			Implementing projects to benefit the society and the environment	As necessary
			Company website	Continuous
			Media releases	Continuous
Business Partners and Value Added Service Providers	To foster mutually beneficial partnerships that support business growth	Communicating through digital communication tools	Dedicated personnel to interact with different types of suppliers and service providers.	Continuous
			Prioritised engagement with local suppliers	Continuous
			Mutually beneficial, long term relationships being the focus during contractual negotiations	Continuous

MATERIALITY

At Asia Asset Finance PLC, Materiality refers to the priority issues that significantly impact the Company's ability to create value over the short, medium and the long term. Therefore, in identifying such relevant matters of significance that may impact the future sustainability of the Company, we take into consideration both the internal and external stakeholder perspectives.

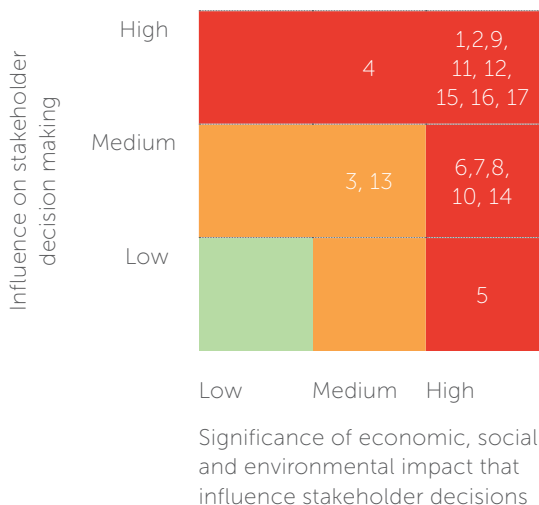
AAF conduct a materiality assessment annually to determine the content of our review, with due consideration given to significant environmental, social and governance impacts on our business and our stakeholders. The degree of materiality or importance of a topic is assessed by its significance and relevance to the AAF or our stakeholder while significance is determined by the probability of occurrence and the magnitude of its impact.

The materiality table and the matrix given below (according to IR Framework) indicate the factors that matter most to the organisation with 'H' being the highest in importance and 'L' being the lowest importance.

MATERIAL ASPECTS RELEVANT TO ASIA ASSET FINANCE PLC

Aspect/Material topic	Material matters of concern to Asia Asset Finance PLC	Level of Importance		
		To Company	To Stakeholders	
ECONOMIC				
1	Economic Performance	Financial performance under current market conditions, increasing GWP, Revenue and Profitability, increase returns to shareholders, maintaining optimum operational costs	H	H
2	Market Presence	Strengthening market presence and increase market share, employees hired from local community and compensated industry par remuneration	H	H
3	Indirect Economic Impacts	Investment on infrustucture	M	M
4	Procurement Practices	Obtaining services from local suppliers	H	L
5	Anti Corruption	"Risk assessment of operations and related awaressness training and communication, Compliance with CG best practices & internal controls"	H	L
ENVIRONMENTAL				
6	Energy	Efficient energy consumption	H	H
7	Water	Minimise water wastage and water conservation	H	M

Aspect/Material topic	Material matters of concern to Asia Asset Finance PLC	Level of Importance		
		To Company	To Stakeholders	
SOCIAL				
	Labour practices and decent work			
8	Employment	Employee recruitment and retention, provision of benefits for full time employees	H	M
9	Occupational Health and Safety	Ensuring safe and healthy work environment by educating employees on health and safety, Compliance to safety measures	H	H
10	Training and Education	Conducting skill developmenet programs regularly to develop employee skills and knowledge	H	M
11	Diversity and Equal Opportunity	Ensuring equal basic salary and remuneration to both men and women	H	M
12	Non-discrimination	Non discrimination of all stakeholders	H	H
SOCIETY				
13	Local Communities	Support the wellbeing of the local communities while managing better relations	M	M
PRODUCT RESPONSIBILITY				
14	Marketing and Labeling	Better marketing and communication strategy for wider reach	H	M
15		Customer service enhancement through remote channels	H	H
16	Customer Privacy	Protection of Customer Privacy	H	H
17	Compliance	Ensure full compliance with all applicable laws and regulations by maintaining strong governance and oversight framework	H	H



OUR STRATEGY

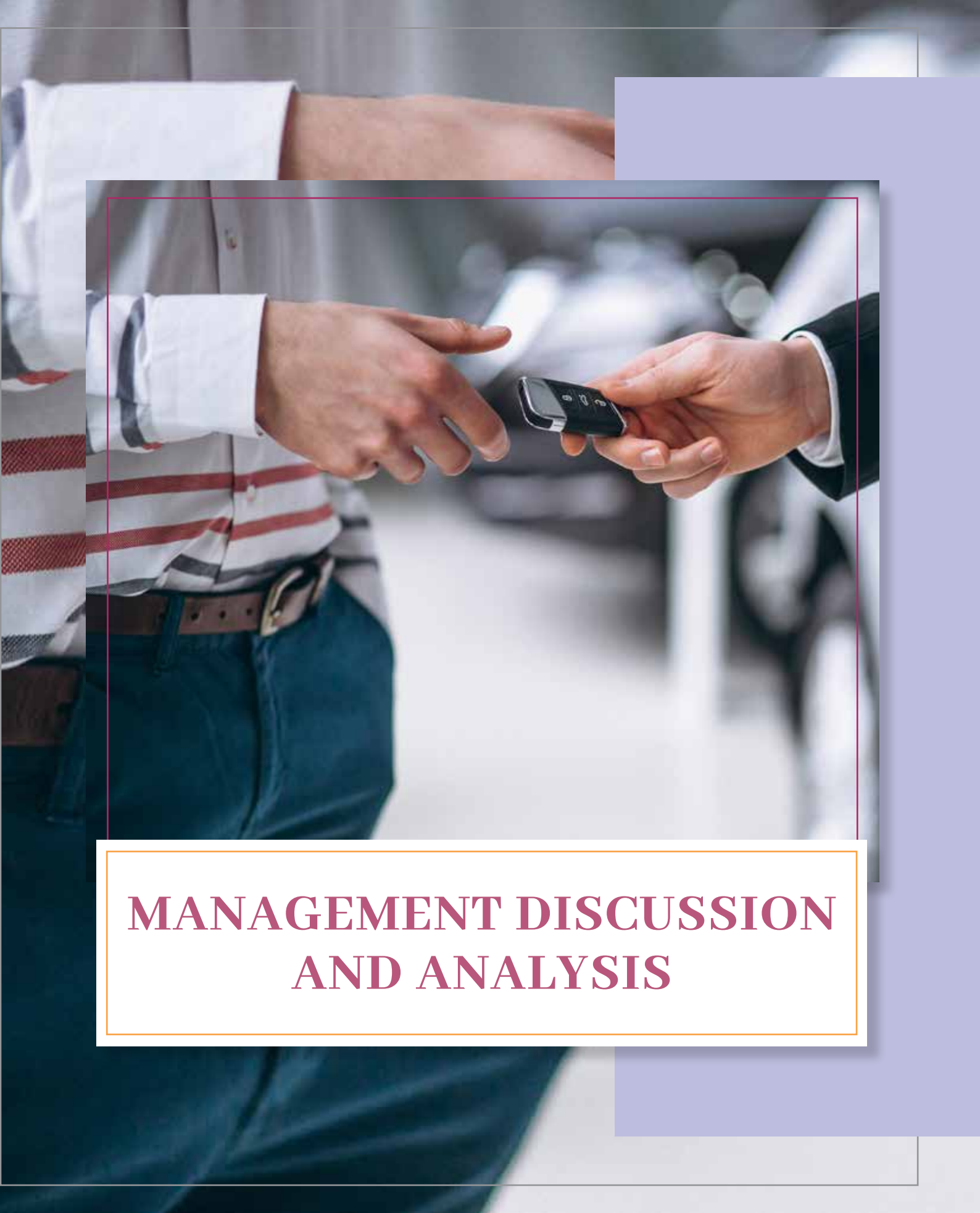
Asia Asset Finance PLC, driven by the core objective of being a leading financial service provider in the country, continue to consolidate the business model introduced in the previous financial year streamlining processes and systems across all levels of operations. These include improving human capital through establishing synergies through technology, capacity building, enhanced focus on brand marketing promotions, branch expansion to enhance outreach, digital transformation of operations establishing a robust platform, as well as creating strong risk management and compliance culture that supports the sustainable growth of the Company.

With a primary focus on Gold Loans, the Company continue to promote all its financial products keeping the customer needs at the forefront. Micro Mortgage Loans were also relaunched during the year in assisting the low-income communities in the country. While our innovative product portfolio enabled us to sustain our profit margins for the year, the revenue was mainly driven by the expansion of the Gold Loan portfolio. We were also able to show improvement in the service delivery front where our well-trained employees at Head Office and Branches were judicious in nurturing close partnerships with our clientele reaffirming their trust and confidence in us as a reliable financial institution.

With bolstered assurance, we were able to maintain service excellence ensuring enhanced customer satisfaction and experience.

Apart from Gold Loans and Micro Mortgage Loans, the Company will also venture into Savings Accounts, Forex and Money Transfer businesses in the financial year 2022/23. In addition, we plan to introduce a digitalized platform Via our Mobile App 'Luck E Wallet' for the customers to engage with us relying on the convenience of new technology that allows transaction with AAF from anywhere in the world.

With the world's largest Gold Financing Company, Muthoot Finance, as the parent arm, Asia Asset Finance PLC will continue to leverage synergies, to strengthen the business model by our product offers, mainly Gold Loans to the valued customer across the regions. Our expansion strategy will also persist to the future in growing geographical penetration to uncover the new clientele across new geographical locations bringing easy access and convenience to customers. We believe these prudent strategic moves will enable us to succeed in the years to come ensuring sustainable value creation for all the stakeholders.



MANAGEMENT DISCUSSION AND ANALYSIS

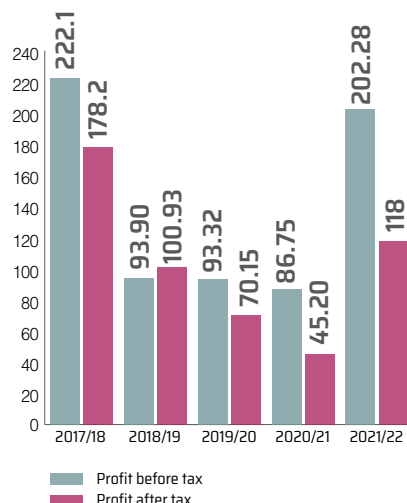
FINANCIAL CAPITAL

Asia Asset Finance recorded its profit for the year under review to successfully overcome the hurdles of the economic crisis. AAF's pre-tax and post-tax profits amounted to LKR 202.28Mn and LKR 118.5Mn, respectively, representing a 133% and 161% growth. During the year, the Company's emphasis was on providing relief to customers through moratoriums, loans at concessionary rates, rescheduling/restructuring facilities and waiving of default interest while creating compliance culture through internal controls that were strengthened to support credit processes, WFH, digitization and our online portal. This was a significant achievement during the year under review supported by the exceptional contribution of the highly committed and driven team.

Profit after tax (Rs.Mn)



Profitability (Rs.Mn)



GROSS INCOME

The year 2022 recorded year-on-year increase of 7.68% in income, reaching LKR 3,181 Mn while interest income, fee and commission income as well as other non-funded income continued to be the main sources of revenue.

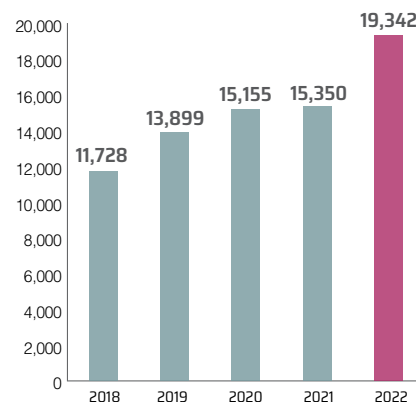
NET INTEREST INCOME

Net Interest income is the core business operation of the Company and recorded LKR 1,251.4 Mn in 2022 and LKR 1,262 Mn in 2021.

TOTAL ASSETS

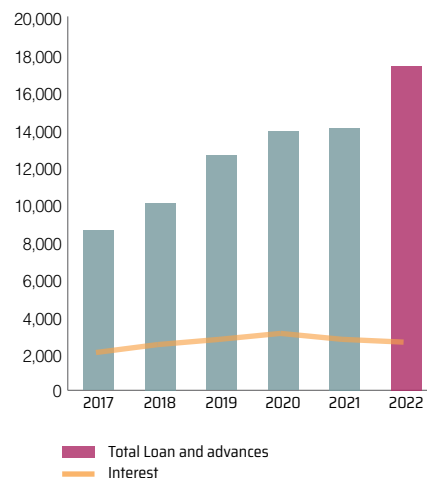
The total assets of the Company increased by 26% to Rs. 1,9342 Mn as the loan and receivables portfolio increased by 23.58% to Rs. 1,7345 Mn.

Total Assets (Rs Mn)



The Company's Gold loan business volumes grew through the year, as the general economic slowdown caused by the pandemic and import restrictions imposed on motor vehicles, contributed to the decrease in the loans and receivables portfolio. Maintaining the quality of the loans and receivables portfolio is key to the Company, and diversification from unsecured to secured has become a strategic area of concern in growing gold loan business of the Company.

Portfolio Vs Interest Income



INTEREST EXPENSES

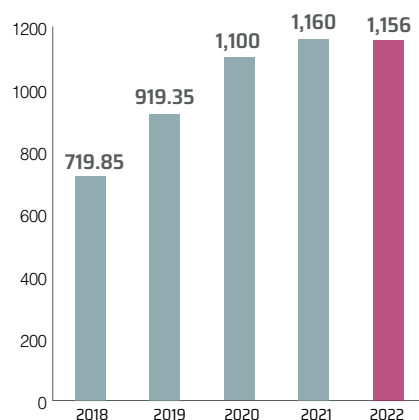
Interest expenses decreased by 9.5% to LKR 1324Mn in 2022 relative to 2021. Total interest expenses comprise of deposit related expenses made up close to 50.48% and other borrowing expenses on 49.52%. Interest expenses varies due to liability pricing with a volatile interest rate environment.

OPERATING EXPENSES

Total operating expenses decreased by 3.13% to Rs. 991.74 Mn during the year. Personnel expenses increased by 20.73% while other operating expenses declined by 11.82%, respectively, compared to the previous year. The main reason for the reduced expenses was the company's move into paperless environment and adoption of remote working condition.

The cost to income ratio for the Company remained at 61.89% compared to 77.74% in 2021.

Movement of Operating expenses



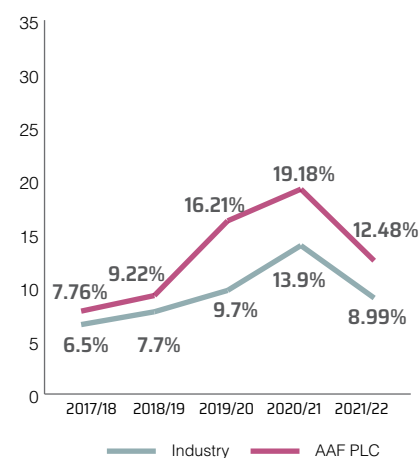
IMPAIRMENT CHARGES

Impairments for loans and receivables are included under impairment charges. Impairment charges rose to 28.7% to LKR 492.9Mn in 2022 from LKR 382.9 Mn in 2021 reflecting stressed credit quality due to macro and other circumstances. All the macro-economic conditions considered to have made substantial provisions in the current year. Individually, significant customers were prudently evaluated and appropriate provisioning were made considering the severity of the pandemic on each customer's business operations. As a means of factoring, the long-term impact of COVID-19 on the client's ability to repay loans, the Company reassessed the risk profiles of its customers to determine if they should be moved to stage two from stage one under collective impairment. The Company has increased impairment

charges during the year reviewing the prevailing challenging macroeconomic conditions.

NPA of Asia Asset Finance was contained at 12.14% which was 34.93% decrease compared to the year 2021.

NPA Movement



Asset Quality (%)	Mar-22	Mar-22	Mar-21	Mar-21
	AAF	Industry	AAF	Industry
Gross Non Performing Advances to Total Advances	12.48	8.99	19.18	11.31
Net Non Performing Advances to Total Advances (a)	2.89	1.81	4.66	2.80
Provision Coverage Ratio (b)	69.63	62.93	58.70	64.02

MANUFACTURED CAPITAL

The collection of infrastructure that is available for a Company; tools, technology, machines, buildings, and all forms of infrastructure creates an integral part of our value creation process. Primarily, it defines our ability to respond to the market and societal needs with efficiency, innovation and flexibility fulfilling the needs of the customers. Secondly, it enables the reduction of resource usage while enhancing the focus on human creativity, improving efficiency, and driving sustainable growth. Therefore, our Manufactured Capital is a clear demarcation of a Company's ability to deliver quality products and services to the customers, improve the Company's reputation and drive sustainable progress.

At Asia Asset Finance PLC, the Manufactured capital includes our physical infrastructure and technology platform that supports the provision of products and services to the customers. These include our Head Office building, branch network spread across the regions, as well as the robust digital systems that we have established over the years and are utilised in our day-to-day efficient business operations.

HEAD OFFICE AND BRANCH NETWORK

Our main operations take place at the Head Office while regional operations are carried out through the branch network that comprises of 59 branches throughout the island. We have established our presence across all regions of the Country and continue to expand our network further having obtained approval from the Central Bank to commence another 21 branches during the year.



TECHNOLOGY PLATFORM

In improving digital accessibility, we have brought many of our systems and processes under a digital platform offering greater convenience for both the employee and the customer. One of the main initiatives on this behalf is the establishment of our state-of-the-art hardware platform by using virtualization technology driving zero downtime in our business systems and processes including the core banking system and the mobile apps. While this will ensure high performance and highest level of data protection to end-user business operations, this platform provides full functionalities to automated disaster recovery and online real-time hardware infrastructure monitoring facilities.

As the growth of our reach with branch expansion have widened our data communication network, we have taken considerable effort to connect the user base for the business systems with substantial additional investments.

We are also in the completion stage of unveiling our own Mobile App, namely Luck-eWallet, a fully automated digital wallet covering all the key functionality for digital customer onboarding, Online FD Processing, Loan processing, customer interaction with AAF, daily banking needs and utility payments. As a member of Common Electronic Fund Transfer Switch (CEFTS), we have embedded their core features into this Mobile App allowing the customers to perform their transactions in real-time at their convenience.

Moreover, we implemented an e-audit solution, a software solution streamlining our internal audit process, that includes automation of audit plan, execution, tracking and reporting processes and facilitating compliance with regulations and internal policies. This has enabled us to significantly improve our internal controls and exception tracking.

Furthermore, we are nearing the completion of implementing a digital document archiving solution to replace the physical receipt/document with a digital equivalent (e-receipts, tickets, or agreements) allowing paperless customer communication. Besides, our Gold Loan customers will receive a branded card in the future to access customer documents in digital equivalent.

INFORMATION SECURITY AUDIT

An information security assessment facilitates improved levels of information security whilst optimising the security safeguards and security processes in the Company. Hence, we carried out a complete audit of systems and security architecture in collaboration with leading external IT security firm enabling us to strengthen our governance, IT infrastructure and application controls.

Given our increasing dependency on information technology as an enabler of our business strategy, we continue to invest heavily on this aspect. As our core business systems, mobile applications, infrastructure, third party service providers, cloud, key IT people as well as the users remain interconnected, downtime tolerance with absence or unavailability of a particular function is inconceivable. Hence, we have formulated a prioritize action plan to further enhance our Technology Risk Management capabilities and Resilience aligned to leading practices and the directives issued by CBSL on Technology Risk Management & Resilience, Data Protection Act and Mobile eWallet systems. Subsequently, routine security audits will be carried out every six months as an ongoing process improvement exercise in sustaining efficiency and superiority of our business activities.

SUSTAINING MARKET SHARE

A growing market share corresponds to expanding profitability and therefore, we utilise our innovative product

range and the marketing strategies to sustain our market share throughout the regions facilitated by the extensive branch network.

PRODUCT PORTFOLIO

Our key products and services include Gold Loans, Fixed deposits, Leasing and Foreign Exchange, although the Gold Loans remained the focus during the year under review which received further support from the branch expansion and the effective marketing strategies. The Gold Loan facility is an instant loan facility that allows the customer to obtain cash by pledging the gold items. With competitive interest rates and amounts, the customer has the privilege of obtaining a speedy service delivery.

We also relaunched our micro mortgage facility during the year in developing grassroots level entrepreneurs and uplifting their position in society.

MARKETING PROMOTIONS

A promotion strategy is key to positioning our brand in the market as it increases people's awareness of our products and services and how they could benefit from selecting us. Hence, we shifted our marketing strategy towards brand marketing lessening our focus on prior personalised marketing promotions. However, we applied both strategies simultaneously in reaching our target segments. The enhanced focus on brand marketing enabled us to use social media platforms such as Facebook in appealing to our customer base and in the future, we intend to employ mass media promotions to further penetrate our target audience.

As we move ahead, we will continue to expand our presence across the country thereby incessantly increasing our customer base and delivering value through leveraging on digital platform and innovative product range.

INTELLECTUAL CAPITAL

MANAGEMENT APPROACH

At Asia Asset Finance PLC, intellectual capital is defined as a combination of a well-positioned brand, talented human capital, strong governance framework and relationship with our stakeholders. Another strong pillar of our Intellectual Capital is our parent, Muthoot Group, which provides the expertise, financial stability and vision to entrench our credentials in the financial services industry in Sri Lanka. The diversified knowledge of our experienced Board of Directors and well respected brand further strengthens our credentials.

INFORMATION & TECHNOLOGY

The Company's Information Technology (IT) processes and systems create value for and strengthen the organisation's goals. The IT function at AAF played a pivotal role in the Company's performance in the year under review. The 'new normal' created by the pandemic due to mobility restrictions and lockdowns to curb the spread of COVID-19 tested the IT preparedness of companies across all sectors. AAF was able to surmount the 'work from home' challenge with ease, as the Company had been investing in enhancing and streamlining its processes by leveraging on advanced IT business processes. Having understood the postCOVID-19 digitalisation context, AAF identified key IT functional requirements to implement during the period.

The Company has invested heavily in enhancing its IT platforms year-on-year. Some of the process efficiencies undertaken in 2020/21:

New IT developments

- Initiatives on Cyber Security Framework and Risk Assessment Framework – AAF will invest on comprehensive Cyber security and Risk Assessment framework to ensure digital security to customers and their respective data`
- Increasing Digital Payment Points – With full integrated Lanka Clear national payment gateway, AAF is enabling features including online real time inward and outward cash operations and Lanka QR initiatives. AAF will integrate core system with leading digital touch point service providers to enhance customer experience.
- Gold Loan Home Redemption and Agent Monitoring App – Mobile based application will help to promote and provide convenience to customers by requesting gold loans through mobiles securely and safely. Agent mobile app will monitor entire workflow for provide secure and efficient services to customers.
- Business Intelligence and Advance reporting platform – this will provide efficient mechanism to interpret and define advance reporting requirements based on the growing demands.
- Document Management System for faster access and informed decision-making.

EMPLOYEE KNOWHOW

The Company considers its employees as its most valuable asset and has established industry best human capital management practices. The performance of employees is evaluated at regular intervals and annual performance reviews are based on Key Performance Indicators (KPIs) consisting of behaviours and

competencies. The ratings are then linked to annual Increments, which motivates staff to strive work hard to achieve their KPIs. The Company maps out appropriate trainings for staff to ensure they remain at the cutting-edge. Maintain a high standard of knowledge and expertise.

The Senior Management Team are well qualified with most having MBAs including the AGMs and Regional Managers and some key Branch Managers are equipped with their Bachelors Degrees and are ready to take up Senior Managerial positions as per the succession plan.

The Company have in place a cost reimbursement scheme for further studies which encourages the management staff to further their studies in order to be ready for the next level.

BOARD PROFILE

Our Board of Directors comprises individuals with diverse expertise, experience and accumulated industry exposure. They come from various educational and professional backgrounds. The Board boasts of various fields which are relevant to the Industry such as Legal, Finance, Tax, IT and Economics, which shows an appropriate mix of knowledge and experience required to take the Company to the next stage of growth, ably supported by the senior management.

WAY FORWARD

AAF's aggressive growth strategy is enhancing its brand in the industry and coupled with our unique offering and backing by the Muthoot Group, we expect to deliver superior service to our customers

HUMAN CAPITAL

A Company's greatness lies in the people who embrace the mission of the Company, going above and beyond to achieve success aligned with the mission. Our capacity to make progress is defined by this powerful connection established by the fervent and committed employees going beyond to deliver their obligation to make a happy customer in turn creating a lasting impression about the brand. Therefore, one of the most important intangible assets that drives growth is the intrinsic productive capabilities of employees, namely, Human Capital.

At Asia Asset Finance PLC, we have nurtured a secure environment for our employees to exercise their duties aligned with the Company's key objectives while enduring their personal and professional progress. We have ensured an equal opportunity work environment with ethnic diversity at Head Office and Branch level. In further reinforcing this commitment, we have also in place a non-discriminatory policy that ensure no discrimination occurs based on religion, colour, sexual orientation, gender identity, age, marital status, disability, or any other basis at workplace.

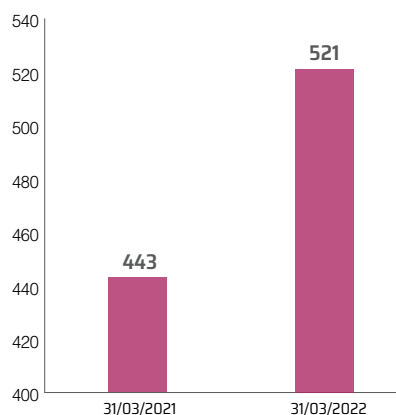
Employee excellence is determined solely based on the overall performance of the employee and we encourage open door culture in allowing them to engage in healthy discourse with their superiors and subordinates. The strong and long-standing employee relationships that we have nurtured within the Company over the years is confirmation of our effort in this arena. As such, we maintained industry par employee turnover rate during the period under review.

OUR WORKFORCE

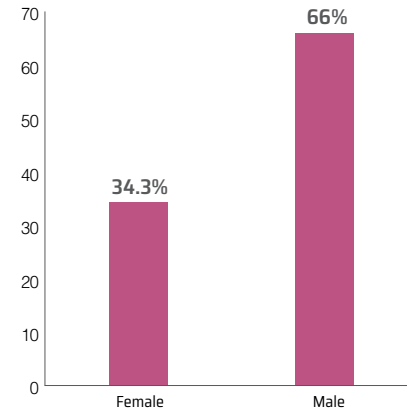
During the year, we increased our employees from 443 to a total of 526 compared to the previous year in support of our sustained branch expansion and business operations across the regions. Despite the lockdowns, we continued to recruit staff for our new branches with the aim of having staff onboard to commence the branches once the lockdowns are lifted.

The recruitment for the vacant positions is carried out through advertising both internally within the organisation as well as externally through job portals. Once the potential candidates are shortlisted, we conduct interviews, after which the recruitment takes place. As for the internal applicants, the recommendation by their present supervisor for the new job role remains a priority following which the HR department conducts an interview preceding to contracting.

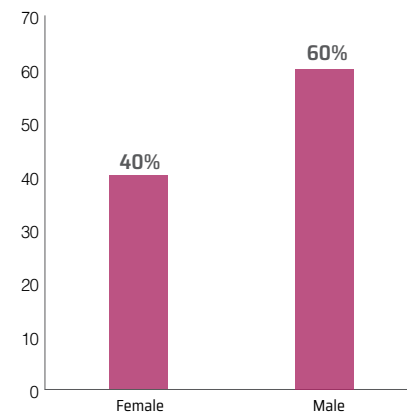
Staff Numbers



Gender distribution as at 31/3/2021



Gender distribution as at 31/3/2022



Human Capital

TRAINING AND DEVELOPMENT

We comprehend the importance of enhancing the knowledge and skills of employees on a continuous basis if they were to excel in the present job role as well in their long-term professional development. Therefore, we make an ongoing effort to improve their performance through a variety of learning and development opportunities in promoting employee growth and acquiring highly skilled employees.

During the year under review, we carried out several training and development initiatives considering the pandemic background to enhance the morale of employees and to sustain the skills and competencies of the workforce in line with the Company's business objectives. These trainings include soft skills training and technical trainings, some of which were conducted physically as well as on Zoom platform during lockdown period. The type of trainings included soft skills trainings pertaining to customer service, telephone skills, grooming and etiquette, sales, and marketing while technical training pertaining to the product portfolio covering Gold Loans & Fixed Deposits, technical training sessions covering finance, human resources, and other operational related aspects including policy & procedure related training sessions. These trainings covered employee categories from topmost senior management to the trainee level representing all employees.

The trainings focused on the following key areas;

Soft Skills Trainings	Technical Trainings
Stress Management	Gold Loan
Leadership	Debt Collection
Interviewing	Finance & Finance Management
Management	360-degree appraisal
Customer service	SLFRS 9
Personal Development	Management of non-performing advances
Healthy life and mindset	Risk based IT auditing
Negotiations	Audit Training
Motivation	Brand Management
Grievance Handling	Income Tax
Covid-19 exit strategies	Digitalisation
	Fixed Deposits
	Anti-Money Laundering
	Labour law
	Forensic accounting

A familiarisation program was also conducted during the year for the new recruits, going beyond our normal induction program. Our regular induction program was conducted via Zoom platform in the COVID-19 backdrop and however, in realising the limitations of such orientation, during the financial year, we went a step further to introduce ourselves physically visiting our branches across the regions with face-to-face meetings thereby interacting with the novices to break ground and build a rapport. We even presented them with welcome packs to make them feel part of the team.

PERFORMANCE EVALUATION

Assessing the performance of the employees allows the Company to recognise quality performance while establishing prospects for future job performance. Therefore, the annual performance evaluation of our employees is conducted once a year based on Key Performance Indicators (KPIs) after which the rating is considered for the annual increments and promotions encouraging the employees for higher performance. This evaluation process is a combination of automated and physical appraisal where a 360-degree evaluation is conducted for the senior management on a digital platform and the junior staff members are evaluated face to face.

The 360-degree evaluation of the senior management is a comprehensive assessment process that allows feedback from subordinates, colleagues, supervisors as well as a self-evaluation by the employee themselves. Gaining a variety of viewpoints enable us to form a thorough understanding of employee's competencies and behaviours which in turn helps in developing their work skills and behaviours in the long term.

SUCCESSION STRATEGY

The Succession Plan that we have introduced aim to identify the high performing employees where we entrust them with additional duties and responsibilities to groom them for the next level of the corporate ladder. In supporting this endeavour, a Successor Training Program is in place which will commence in the coming months.

VIRTUAL LEARNING

We regularly upload training materials on the day-to-day operational aspects on the Company's Intranet in addition to conducting quarterly trainings on an e-learning platform as and when necessary.

WORK LIFE BALANCE

Effective management of time spent at work and outside of work is crucial for reducing work related stress and establishing a positive outlook towards work while maintaining health and general wellbeing. Therefore, we encourage work life balance of employees through urging them to utilise their annual leave and casual leave during the year. Also, during heightened COVID-19 period, we carried out informal chats after work hours with our regional staff to keep their morale up at work.

Furthermore, we organised three employee events during the year to increase employee engagement and to sustain their general wellbeing including Sinhala and Tamil New Year celebrations, Christmas celebrations and an annual staff trip along with the Awards Night to felicitate our staff members.



Human Capital

EMPLOYEE WELFARE

We have provided our employees with several benefits to enhance their motivation and commitment towards work. A key benefit is the medical scheme provided for various categories of staff that aid them in the event of hospitalisation (including hospitalisation for COVID-19 and PCR testing) and spectacle requirements. In addition, the Company's welfare and sports club continue to provide facilities as required in the event of natural disasters and for the low-income earners during the pandemic period.

There are also discount schemes for the staff to facilitate their regular purchase requirements through leading merchants including hire-purchase/easy payment schemes for staff to purchase their household requirements through leading vendors/merchants in the future.

We also recognise our long-standing employees during the Company's Anniversary celebrations. Apart from that, best performing employee and the branch is recognised during the Annual Christmas Party for which a CEOs recognition award is conferred.

HEALTH AND SAFETY

We have a health and safety officer who is responsible for ensuring health and safety of our employees while the administration department hold the indirect responsibility for ensuring healthy working conditions. During the year, we implemented our own COVID-19 protocols, which we modify in line with the government protocols ensuring that every staff member strictly follow the protocols. We also made all three doses of vaccination

compulsory for our staff and when an employee is identified or suspected of COVID-19, we even paid for their testing.

GREEN INITIATIVES

In realising our responsibility towards conserving the ecosystem we have implemented an initiative for fully paper less environment within the workplace which is currently in the process of completion. Hence, our paper usage is only limited to printing when necessary having digitalised a large portion of our internal processes and communication.

As an energy saving measure, the lift is only switched on for a few hours and we encourage people to use stairs as often as possible. We also encourage everyone at the Head Office and at branch level to go off by 5 pm.

Moving forward, we will continue to further develop our existing succession plan including developing a customised well-structured training plan. At present, we have identified different levels of training needs for the trainees so that they will be meticulously prepared to carry out an inclusive role within the workplace upon completion of their training period. Similarly, at the Management level, we intend to introduce a management development program, management trainee program and a successor development program in the near term in preparing these senior level employees to take over the next level in their work.

SOCIAL & RELATIONSHIP CAPITAL

CUSTOMERS

Management Approach

The Company values its relationships with its stakeholders and strives to build trust. AAF is committed to serve customers with a comprehensive set of products and excellence for sustainable value creation. Appropriate investments are made to train employees to give their best to exceed customer expectations.

Customer-Centric Services

As one of the most aggressive gold loan companies in the market, AAF has always come up with innovative ideas considering the prevailing market conditions. During the year under review, the Company introduced Home Gold Loan, to cater to the requirements of our customers and to satisfy their financial needs, which helped customers during travel restrictions,

The year under review provided a great opportunity for AAF to communicate with customers while working from home. Staff educated customers on business proposal preparation and fund management which helped the customers obtain additional working capital given by the government. Further, over the financial year, the government proposed Debt Moratoriums to customers for which we received requests from more than 60% of customers. AAF continued to support the customers through these directives and advised them on how cash flows should be managed and to automate operations through reliance on technology

Further, customers were given alternative payment methods such as Ezcash / Cargills / Direct Bank deposits where customers can pay through other repayment methods with ease. Customers were educated with all these payment methods in order to broaden the services offered to our customers.

Customer Outreach

AAF has established a network of 48 branches including Head Office, across the country, giving the Company a competitive edge to gain market share and supporting the bottom-line profitability. In the reporting year, the Company established many new branches to serve customers across new geographies.

Product Responsibility

In a competitive marketplace with socioeconomic challenges, AAF offers disciplined and prudent operations. Staff are trained to be responsible, efficient and within the contractual obligations, terms and conditions stipulated therein. AAF upholds its responsibility to ensure that customers are enabled to make informed decisions on products and services in keeping with their repayment capacities. Customer privacy and security of data and information are maintained whilst complying with all applicable legislature and regulatory requirements laid down to ensure product responsibility.

MarCom Marketing Communication
The Company leverages on social media and Digital Marketing as its main medium of communicating with customers. Further the Company has revamped its website to be more informative and user friendly. Currently, the Company is in the process of developing and installing a Chat Bot in order to make the website more informational. Steps are being taken to digitalize the Company's operations in order to be more efficient, effective and environment friendly.

The Company is working towards a paperless work environment and digital onboarding and processing of customer applications providing better service to the customers.

COMMUNITY

Engaging communities and building positive relationships is a part of AAF's strategy. During the year, the Company undertook many CSR projects to uplift the lives of COVID-19 affected people across the Company:

- Essential supplies were donated as COVID-19 relief packages
- Provided food and stationaries for underprivileged children.
- Food and provisions provided for few selected Elders' Home.
- Provided provisions and gift toys to the cancer hospital Children's ward

Social & Relationship Capital



Green Projects

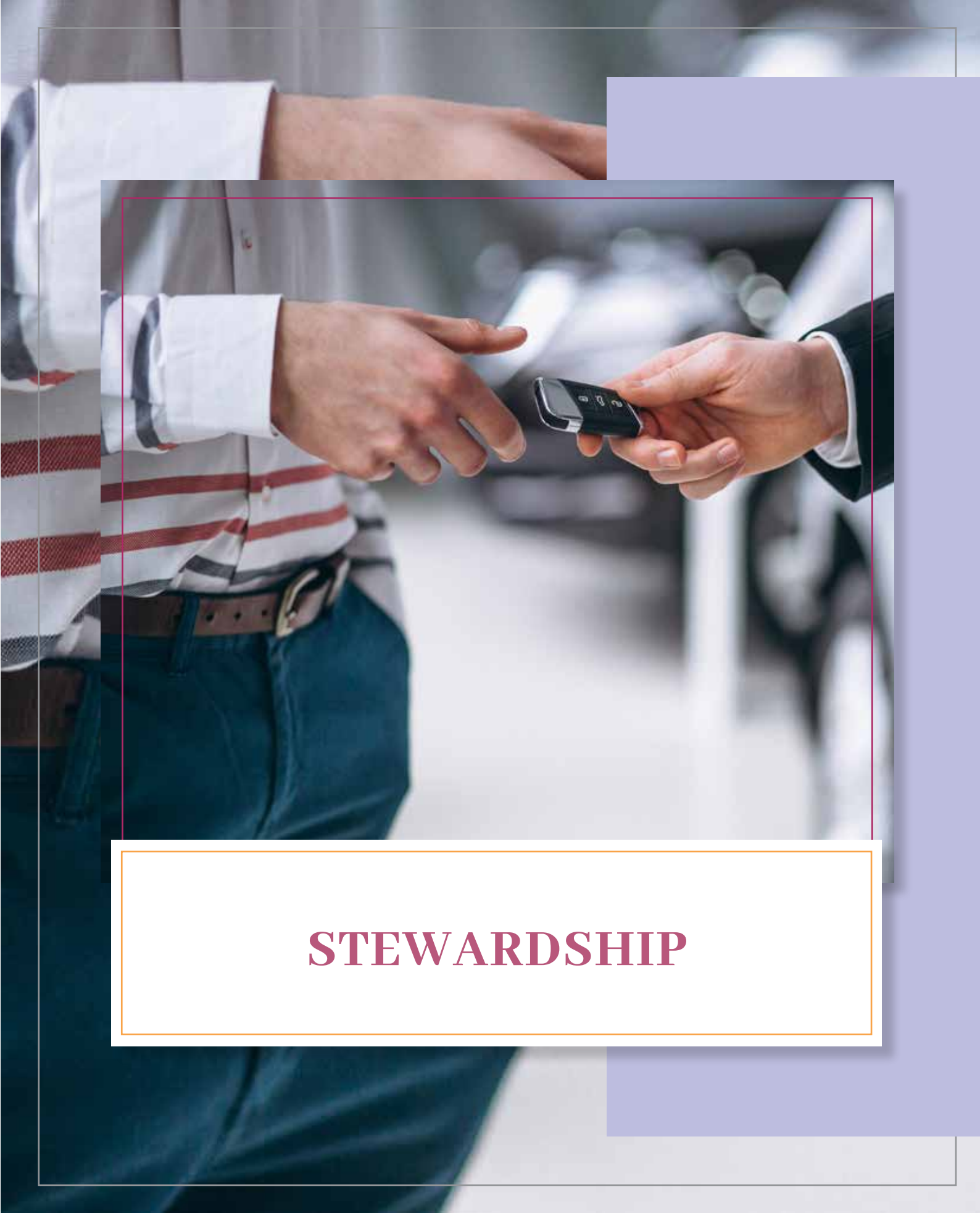
This year CSR program was initiated by the welfare society of the Company along with the Sri Lanka Army and we were able to distribute breakfast to those who were lending a helping hand at the vaccination drive at Vihara Mahadevi Park and that included the Doctors, Nurses, and the Forces. We were able to distribute water bottles to all those who were standing in queues to get the vaccine



The Company is also initiating a programme to recycle used papers through a paper recycling company to put in place better waste management practices while making a conscious effort to reduce paper usage. .

Way Forward

AAF will continue to strengthen relationships with key stakeholders to partner their growth and prosperity. The Company will ensure steps will be taken to reduce company footprint and introduce new mechanisms, be an environmental friendly company.



STEWARDSHIP

BOARD OF DIRECTORS



V. A. Prasanth
Chairman/ Independent
Non-Executive Director

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 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.



R. J. A. Gunawardena
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 organisation's vision and strategy and for the management of the entire organisation'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.



R. A. T. P. 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. He started his career at Kreston Sri Lanka, correspondent firm of Grant Thornton International – Sri Lanka Division, a firm of Chartered Accountants and counts over 28 years of professional and commercial experience in the fields of auditing, finance and management consultancy both locally and internationally.

He presently serves as the Chief Executive 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.

He 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.



G. M. Alexander
Non-Independent 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 Deputy Managing 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 one among 10 Indians chosen to represent India for AIYD (Australia India Youth Dialogue) at Sydney and Melbourne in 2013 & 2022. He was the finance chair for the Entrepreneur's Organization Bangalore from 2016-2018. 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 .



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

KR BIJIMON is a Fellow Member of the Institute of Chartered Accountants of India, New Delhi, Associate of Indian Institute of Banking and Finance Mumbai and Fellow Member of Certified Management Accountants, Institute of Sri Lanka. He holds LLB degree from MG University and MBA from Cochin University,

He has over 26 years of experience in the field of financial services and is employed in the Muthoot Finance Limited since inception. As Executive Director & COO of the Company he oversees credit, operations of zonal offices, internal audit, marketing, Information technology, recovery and legal and vigilance departments of the Company.

He is the Chief Operating Officer for global operations of Muthoot Group (USA, UAE, UK, Nepal & Sri Lanka). He has been the driving force in Muthoot Group expanding its operations to USA, UK, Nepal and Sri Lanka. Shri. K.R. Bijimon is Director in Muthoot Group Companies viz. Muthoot Home Fin (India) Ltd., Muthoot Securities Ltd., Muthoot Commodities Ltd., Muthoot Forex Ltd., Muthoot Finserv USA INC. Asia Asset Finance PLC Sri Lanka, Belstar Microfinance Ltd, Chennai. and United Finance Ltd. Nepal. He is also a member of the Board of Governors of Muthoot Institute of Technology and Science (MITS).

BOARD OF DIRECTORS



K. G. K. Pillai
Non-Independent
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 18 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 organisation.



R. A. B. 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, UNIDO, ICTA projects in Sri Lanka and overseas. He currently serves on the Board of Asia Asset Finance PLC as Senior 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 Re-engineering 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.



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 during tenure of his office, underwent training and participated in several overseas taxation programs including Workshop on Tax Modeling in Austria in 2001, training program on Advancing Management Potential held in United Kingdom in 2003, specialized training program on Audit

Management in India in 2007, program on Post due diligence relating to the customs expansion modernization held in Angola in 2012. He has also received valued exposure in double taxation treaty negotiations signed with 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 in 2012 and the 'Fourth IMF – Japan High Level Tax Conference for Asian Countries' in Tokyo, Japan in 2013, Ministerial workshop on Blue Economy and Maritime Silk Road in China.

He was a member of the team related to Negotiation of the proposed Trade agreement with China in 2014. 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 membership of APFA (Association of Public Finance Accountants of Sri Lanka) and also an active member of China Sri Lanka Society. He is also a social worker holding positions and memberships in several societies and associations.

SENIOR MANAGEMENT



Rajiv Gunawardena
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 organisation's vision and strategy and for the management of the entire organisation'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.



Roshan De Silva Gunasekera
Chief Operating Officer

Mr. Gunasekera joined Asia Asset Finance PLC in April 2010. Mr. Gunasekera carries more than 27, 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.



Thiruneelakandan
General Manager

Mr. Thiruneelakandan, General Manager, joined AAF PLC in the year 2003 and is a professional Banker with more than four decades of experience in Developing Banking including Project Financing, Credit Management, Foreign Exchange Management, Business and Financial transformation and diversification.

His ability to convince others with his persuasive consultancy skills and pleasing personality, led him to build up a massive high end corporate and individual clientele with over 2000 clients at AAF PLC.

He plays a leading role in giving leadership to young professionals who join the Company lacking the Banking experience and managing credit and lending.

He loves to build high performing teams which will lead to develop a variety of programmes at AAF for highly potential staff. Believes in authentic leadership and deeply passionate and committed to do well by doing good and has led to develop programs at AAF for high potential talent.



Geethika Elwalage
Deputy General Manager - Finance

Geethika Elwalage has varied exposure of over 14 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.



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 Weerapullige 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 17 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 12 years of experience in the top management of Asia Asset Finance PLC.

He is responsible for overlooking 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.



Sajith Atapattu
Head of Risk Management

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.

Senior Management



Mahesh Kumara
Assistant General Manager –
Product Operations



Praveen Peiris
Assistant General Manager – Treasury



Inditha Jayathilaka
Assistant General Manager -
Information Technology

Mr. Mahesh Kumara received his BBA (Accounting) Degree from the University of Colombo in 2001 while working in the industry from 1999. 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 – Product Operations with an industrial experience of over 21 years.

Mr. Praveen Peiris joined Asia Asset Finance PLC in January 2014 and has over 17 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.

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 specialising 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 service.



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 19 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 is 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 (CIM UK).



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 specialising 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



Nawasdeen Ihlas
Senior Manager Finance

Mr Ihlas is an Associate Member of the Institute of Chartered Accountants of Sri Lanka & Member of the Association of Accounting Technicians of Sri Lanka. Also holds a B.Sc. Accounting (Sp.) Degree with a first class from University of Sri Jayawardenepura. Having a decent accounting background counting over 09 years in the financing & non financial sectors, he began the career as an audit trainee in Ernst & Young and step by step he enriched his designation to the current position due the hard working skill, dedication & passion shown in his career.



Viranthie Fernando
Head of HR & Administration

Ms. Viranthie Fernando joined Asia Asset Finance in 2020 and her HR career spans over 15 years spread across diverse disciplines from Manufacturing, Hospitality, Insurance, FMCG and Banking and is a new addition to the Senior Management Team of Asia Asset Finance PLC. She holds an MBA from the Postgraduate Institute of Management - University of Sri Jayawardenepura

During her short tenure as at date in AAF – she has been instrumental in driving change across the organisation by facilitating implementation of the organisation's business plan and several other initiatives as well as she has been an actively involved in developing the HR operation and processes towards benchmarking against the industry standards and also building and maintaining the Company culture and employee relations. Prior to joining Asia Asset Finance – Ms. Fernando was heading the HR and Administration operation for ICICI Bank Sri Lanka which is a pioneer in the Banking sector – headquartered in India. She is a professional member of the Association of HR Professionals in Sri Lanka.



Pramod Hiniduma
Senior Manager – Internal Audit

Mr.Pramod Hiniduma is responsible for overlooking the Branch Operation Audit, Department & Offsite Audit function in AAF. Mr.Pramod holds a Bachelor of Business Administration (Special) degree in University of Colombo in 2014. He is an Associate Member of SLIM & Certified Business Accountant of CA Sri Lanka. He counts over five years of experience in Finance Services and more than three years' experience in External Auditing. He started his career as an Audit trainee at Ernst and Young.



Priyantha Wijesinghe
Senior Regional Manager - Central

Mr. Priyantha Wijesinghe joined AAF in October 2010 as a Branch Manager and was promoted as Senior Branch Manager in 2016. Currently Mr. Wijesinghe serves as a Regional Manager of the Company. He holds over 17 years experience in the finance sector. He has commenced his career 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 (Specialised in Agricultural Extension). He also holds part qualification at The Chartered Institute of Marketing (CIM UK). He is currently reading for his MBA at the Wayamba University of Sri Lanka.



Suminda Hettige
Senior Regional Manager - Southern

Mr. Suminda Hettige graduated from the University of Sri Jayewardenepura in 2006 with a Bachelor of Science (Specialised 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 also with Orient Finance in 2008 as a Branch Manager. He holds over 14 years' Experience in the Finance Sector.

Senior Management



Tharanga Wijesena
Chief Manager - Operations &
Recovery

Having joined Asia Asset Finance PLC in 2012 as an Assistant Branch Manager, Mr. Tharanga Wijesena has groomed his way to the top management within short span of time owing to his technical expertise and practical experience in the industry. He completed his bachelor's studies in management specialised in business administration by obtaining reputed BSc. Business Administration (Special) Degree from University of Sri Jayewardenepura. Subsequently, he continued his postgraduate studies in business administration specialised in finance and obtained MBA (Finance) from University of Colombo. His education background in management specialised in business administration and finance has enable him to introduce customer focused management into day-to-day management of the operations. He holds overall responsibility of the management and operations of the branch network in western province.

In his previous employments, experience gathered in corporate management at premier conglomerate Hayles and exposure to banking at systemically important Peoples Bank has sharpened his skills set to manage the requirements of demanding clientèle in the finance industry while delivering the performance milestones of the Company.



Suren Subramaniam
Regional Manager - Gold Loans

Mr. Suren Subramaniam joined Asia Asset Finance in the year 2008 as an Executive. He has held various positions in the organisation having handled Fixed Deposits, Loans and Leasing products. He possesses more than 18 years of experience in the financial sector. Currently Mr. Subramaniam serves as the Regional Manager for Gold Loans overlooking 20 Branches in the Uva and Central provinces. He is currently reading for his MBA at the Lincoln University, Malaysia.



Shiranthi Gunawardena
Consultant - Legal

Mrs. Shiranthi Gunawardena was enrolled as an Attorney-at-Law in 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 Shiranthi Gunawardena Associates. Mrs. Gunawardena is also the Legal Consultant to the Finance House Association where all registered Finance Companies are members.



Poornima Lenora
Compliance Officer

Ms. Poornima Lenora joined Asia Asset Finance PLC in 2021 from HNB Finance PLC. She carries overall 20 years of experience in the non-banking finance sector covering various fields from Risk, Credit to Compliance related activities. She is a member of ABE - UK and holds an MSc in Applied Finance from the University of Sri Jayawardanapura.

She has been instrumental in ensuring the AAF complies with the regulatory standards continuously and has added value to the organization by strengthening the processes through her experience and knowledge.



Ravi Panawela
Senior Manager – Administration

Mr. Ravi Panawala joined Asia Asset Finance in 2007 and his career spans over 15 years of experience in the fields of Administration and procurement. His experience in the company enables him to provide the best of the administration operation to the organization.

Senior Management



Joji Joseph
Senior Manager – Gold Loan Audit

Mr. Joji Joseph has done his Master's degree in Commerce from Calicut university Kerala India. He was the Regional Audit Manager of Muthoot Finance (India's Largest gold loan Company) Thanjavur region having 80 branch network from 2017 to 2019 and he also held the position of Mobile Audit incharge of Chennai regions. He joined Muthoot Group, in 2008. He is having 11 years experience in Auditing Muthoot Finance.



Rajapirabu Sivageethan
Regional Manager - North

Mr. Rajapirabu Sivageethan graduated from the University of Wolverhampton(UK) with a Bachelor of Arts (Hons) in Business Management and He has the Professional Qualification of "Master Project Manager" By the power vested in the Board of Standards of the AAPM. Mr Rajapirabu Sivageethan Joined AAF in December 2018 as a Branch Manager. Currently Mr Sivageethan Serves as a Regional Manager of the company. He has commenced his career in 2010 at Bartleet Finance (currently known as Orient Finance plc) as a Marketing Executive. He joined Alliance Finance in 2013 as a Branch Manager. He holds over 12 years Experience in the Financial Sector.



Hiroshan Dilshan
Senior Manager - FD Marketing

Mr. Hiroshan Dilshan joined the AAF Family in February 2019. Currently, serves as a Senior Manager Fixed Deposits.

Over 14 years of Managerial Experience in the fields of Sales, marketing and business development. The exposure I acquired while working at several Public listed financial institutes in Sri Lanka.



K. B. Aneesh
Regional Manager - Eastern

Mr. K.B. Aneesh joined in AAF in the year 2019. In the year 2020, promoted as Regional Manager -Northern region and currently overlooking Eastern Region. He started his career in the year 2006 as a Cooperative Executive in Gold Loan at HDFC Bank, India. Thereafter joined in Muthoot Finance in the year 2008 as a Junior Audit Executive. In the year 2014, promoted as Regional Audit manager of muthoot Finance and was subsequently seconded to Asia Asset Finance in 2019. Aneesh – possess overall 16 years experience in the Gold Loan industry and also holds a postgraduate degree in Commerce from Mahatma Gandhi University



Nuwan Kumara
Senior Manager Branch Supervision

Mr. Nuwan Kumara holds a Physical Science Degree from the University of Peradeniya, offering subjects of statistics, computer science and pure Mathematics. He has also completed a masters degree in industrial mathematics from the same university. In 2009 he joined Asia Capital PLC as a System Analyst which was the largest investment bank in Sri Lanka. Later, in 2014 he joined Asia Asset Finance as a financial analyst and currently he over looks business operations in the Southern Province.



Gobikrishna Balakrishnan
Senior Manager - Branches

Mr. Gobikrishna Balakrishnan joined Asia Asset Finance PLC in 2012. Currently he serves as the Senior Manager Recoveries and he served as Branch manager supervisor for 2 years prior to being promoted as SM. Mr. Balakrishnan Gobikrishna holds a BBA degree in Business Administration in university of Peradeniya and ACCA Member and ACCA Passed finalist.

He counts over 12 years of working experience in Accounts, & Credit of which 9 years were spent in Finance sector and he also has the experience in audit sector in his previous employment with during the period from 2010 to 2012. He holds more than 6 years of experience in the management of Asia Asset Finance PLC. He is responsible for overlooking branch network as well as overall operations of the branches which comprises of Marketing, Credit, Administrations & Recoveries.

Senior Management



Kasun Fernando
Senior Manager – FD Mobilisation

Mr. Kasun Fernando joined Asia Asset Finance PLC in the year of 2007 with the honour of taking over the title, 'Marketing Executive'. Prior to joining AAF, he started his career as a Marketing Officer at Seylan Merchant bank in the year of 2000 and is currently known to have 22 years of experience in Fixed Deposits mobilization in the industry. He had also worked as an expertise Branch Manager in the Wennappuwa from the year of 2010 to 2020. Currently he is working as a renowned Senior Manager of Fixed Deposits, overlooking Northern, Western, Central and Uva province branches.



Sivarajah Luxman
Senior Manager Branch Supervision

Sivarajah Luxman joined Asia Asset Finance PLC in August 2010 as a marketing officer at the Jaffna branch and was appointed as a BIC kilinochchi in 2012. Then progressively rose up the career ladder upto Branch Manager. 11 years experience with the Asia Asset finance PLC. I followed a BSc degree at university of jaffna. Now I have been promoted as a senior manager branch supervisor.

CORPORATE GOVERNANCE

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

- Compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and amendments thereto as specified in Finance Companies (Corporate Governance-Amendment) Direction No. 4 of 2008, No. 6 of 2013 and No 05 of 2020 issued by Central Bank of Sri Lanka.
- The Companies Act No. 7 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- Compliance with the Code of Best Practice on Corporate Governance 2017 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka

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 Eight Members including the Chairman. The day-to-day monitoring of operations of the Company has been delegated to the CEO and the Board appointed Sub Committees governed by policies, procedures, and authority by the Board of Directors. They bring a wide range of business, financial, legal, engineering, Technology, and entrepreneurial knowledge, skills, and experiences.
BOARD MEETINGS				
Frequency of Board meetings	A.1.1		Compliant	Board meetings are held once a month 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 attendance of each member of the Board is provided in page 80 of this Annual Report.
BOARD RESPONSIBILITIES				
Formulation and implementation and monitoring of business strategies	A.1.2		Compliant	The Board is collectively responsible for the 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 42 to 56 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 their 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 atleast three days prior to Board meeting.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Compliance with Laws, Regulations, and Ethical Standards	A.1.2		Non Compliant	<p>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.</p> <p>However, the company has paid a penalty for deviating from the Finance Business Act (Business Expansion and Operations) Direction No 06 of 2006 In terms of Section 25(1) of (a) of Finance Business Act, when the opening of New Branches. Subsequently, all branch openings have been approved along with the approval for the 2021 business plan.</p>
Consideration of all stakeholders interest in corporate decisions	A.1.2		Compliant	<p>The Chairman ensures 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.</p>
Adoption of appropriate accounting policies and fostering compliance with financial regulations	A.1.2		Compliant	<p>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 108 of this Report.</p>
Independent professional advice	A.1.3		Compliant	<p>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.</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
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 judgment on issues of strategy, performance, resources, and standards of business conduct. Non-Executive Directors have the 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		Compliant	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 80 of this Annual Report.
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.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
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 Fellow 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 46 to 56 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 Seven Non-Executive Directors and one Executive Director.
Independent Directors	A.5.2	7.10.2 & 7.10.3.(c)	Compliant	There are four Independent Non-Executive Directors and they are free of any business or other relationship with the Company.
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 in dependency in decision making. The Independent Non-Executive Directors Compliant with independency criteria stipulated by the CBSL, SEC and ICASL guidelines during Financial year 2021/22.
Signed independence declaration by the Non-Executive Directors	A.5.4		Compliant	Each Non-Executive Director is responsible to submit an assigned and dated declaration on an annual basis of his/her independence/ non-independency. At present, three Directors of the Company are Independent and the other four Directors are Non-Independent.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
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 CSE, 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 high-quality information circulated at least seven days prior to the Board meeting to discharge the Board obligations effectively.
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 Executive Director or the heads of those respective departments when necessary. The Directors have free and open contact with the management of all levels.</p>

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Adequate time for effective meetings	A.6.2		Compliant	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.
APPOINTMENTS TO THE BOARD				
Assessment of Board Composition			Compliant	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.
Disclosure of profiles of the newly-appointed Director	A.7.3	7.10.3. (d)	Compliant	There were no new appointments of directors during this financial year.
Resignation of a Director			Compliant	There were no resignations during the financial year
Period of Service			Compliant	The Current Board of Directors is in line with all regulatory requirements
APPRAISAL OF BOARD PERFORMANCE				
Board appraisal	A.9 & A.9.1		Compliant	<p>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.</p> <p>A self-assessment was carried out by each Director at the end of the financial year based on a specified evaluation checklist.</p>
Fitness and Propriety of Directors			Compliant	The Board of Directors has complied with all the regulatory requirements.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
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 42 To 45 2. Corporate Governance Report – Pages 57 To 80 3. Details of Related Party Transactions – Page 97 Details of Directors including names, transactions with a finance Company. 4. Board Meeting Attendance - Page 80 <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 Remuneration Committee annually assesses the performance of the CEO for the recommendation of the Board.
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 is responsible in recommending 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 139 of this Annual Report.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
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.
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	Form of Proxy provides instructions on appointing a Proxy to represent the shareholder at the General Meeting to ensure the voting right are sent to each shareholder.
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 there- under and the Financial Statements are presented in conformity with the Sri Lanka Accounting Standards. The Company has also Compliant 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.

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Interim accounts, price sensitive public reports, reports to regulators and information required by statute	D.1.1		Compliant	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. AAF's interim accounts have been published in a timely manner in three languages and conform to State Language Policy and the date of the published Cse and Ppaer need to disclose as atable regulatory interim publication format and the applicable accounting standards and requirements specified in all other regulations mentioned in the previous paragraph.
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 99 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 100 to 102 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 30 to 39 of this Annual Report.
Declaration of Going Concern by Directors	D.1.5		Compliant	The Board of Directors provides disclosure confirming the going concern of the Company on page 102 of the Annual Report.
Internal Control				
Maintain a sound system of Internal Controls	D.2		Compliant	A Risk Management Report is presented on pages 81 to 86 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 is assessed by the Integrated Risk Management Committee.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
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 104 on the Annual report.</p>
Internal Audit function	D.2.2		Compliant	<p>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.</p>
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 & Recovery Committee</p> <p>Nomination 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>

Corporate Governance

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 104 of the Annual Report.</p> <p>The Committee met 04 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 Non-Independent Non-Executive Director. The composition and functions carried out by the Remuneration Committee is presented on page 89 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 104 of this Annual Report.</p>

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Compliant Status	Level of Compliance
Adoption of a Code of Business Conduct	D.4		Compliant	The Company adopts a code of business conduct and ethics for Directors and members of the senior management team.
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 Compliant with such code.
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 95 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.

Corporate Governance

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.

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	COMPLIED
2.1	Check the Board’s approval of the finance company’s strategic objectives and corporate values. Check whether the finance company has communicated its strategic objectives and corporate values throughout the finance company.	Complied
a.	Check the Board’s approval of the overall business strategy of the finance company. Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented. Check that the overall business strategy contains measurable goals, at least for next three years.	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

2	THE RESPONSIBILITIES OF THE BOARD	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
2.2	Check that the board has appointed the Chairman and the Chief Executive Officer (CEO). Check that the functions and responsibilities of the Chairman and the CEO are in line with paragraph 7 of the Corporate Governance Direction.	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	Check that the Board has met regularly and held board meetings at least twelve times a financial year at approximately monthly intervals. Check whether consent of the board has been obtained through the circulation of written or electronic resolutions/papers.	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

Corporate Governance

3	MEETINGS OF THE BOARD	FINDINGS
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
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	Check that the minutes of a board meeting contain or refer to the following: <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> <p>has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company;</p> <p>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.</p> <p>Has been employed by the finance company during the two year period immediately preceding the appointment as director;</p> <p>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.</p> <p>Represents a shareholder, debtor or such other similar stakeholder of the finance company;</p> <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>	Complied
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	Check whether in all corporate communications where the names of the directors are disclosed, independent non-executive directors are expressly identified. 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.	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.	Complied
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
7.2	Check that the chairman is a non-executive director. 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. Check that the designation of the senior director be disclosed in the finance company's Annual Report.	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	THE CHAIRMAN AND CEO	FINDINGS
7.4	Check whether the Board evaluation process covers the following; where the Chairman: 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. (Should have been conducted at least annually).	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:	Complied
a.	Check that the chairman of the committee is a non-executive independent director and possesses qualifications and experience in accounting and/or audit.	Complied
b.	Check that all members of the committee are non-executive directors.	Complied
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; 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 SLAS	Complied

Corporate Governance

8	BOARD APPOINTED COMMITTEES	FINDINGS
f.	Check that the committee has implemented a policy on the engagement of an extern 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: <ul style="list-style-type: none"> 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; <p>Major judgmental areas;</p> <p>Any changes in accounting policies and practices;</p> <p>The going concern assumption;</p> <p>The compliance with relevant accounting standards and other legal requirements, and;</p> <p>In respect of the annual financial statements the significant adjustments arising from the audit.</p>	Complied
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) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. 	Complied

8	BOARD APPOINTED COMMITTEES	FINDINGS
	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
	n. Check that the audit committee has an approved terms of reference which includes; i) Explicit authority to investigate into any matter; ii) The resources which are needed to do so; iii) Full access to information; and vi) 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. 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 vi) 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; 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. vi) Protection of the whistle blower :	Complied
8.3	Integrated Risk Management Committee (IRMC):	Complied
	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 committees have documented processes 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
	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

Corporate Governance

8	BOARD APPOINTED COMMITTEES	FINDINGS
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
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 are covered by this Direction.	Complied
a.	The grant of any type of accommodation, as defined in the Monetary Board's Directions on the 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 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	Complied
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 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 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

9	RELATED PARTY TRANSACTIONS	FINDINGS
	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:	Complied
5.2	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 were 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:	Complied
	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 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, and transactions with the finance company.	Complied
	d. Fees and remuneration are paid to directors in aggregate.	Complied
	e. Total net accommodation as defined in paragraph 9(4) is 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-compliance.	Complied
	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.	Complied
	i. A statement indicating that the Board has obtained a factual findings report on the compliance with the corporate governance direction.	Complied
11	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

Corporate Governance

1. BOARD MEETING ATTENDANCE

Director has attended a particular board meeting marked with (√). Absence denoted with (X).

No.	Name of the Director	Executive	Non-Executive	Independent	Non-independent	Attendance at Board meetings (held within monthly intervals)									
						22.04.2021	21.05.2021	22.06.2021	21.07.2021	23.08.2021	13.09.2021	25.10.2021	22.11.2021	17.12.2021	25.01.2022
1	Mr. V. A. Prasanth			√		√	√	√	√	√	√	√	√	√	√
2	Mr. R.J.A.Gunawardena	√				√	√	√	√	√	√	√	√	√	√
3	Mr. R.A.T.P.Perera			√		√	√	√	√	√	√	√	√	√	√
4	Mr. G. Alexander		√			√	√	√	√	√	√	√	√	√	√
5	Mr. K.R. Bijimon				√	√	√	√	√	√	√	√	√	√	√
6	Mr. R. A. B. Basnayake			√		√	√	√	√	√	√	√	√	√	√
7	Mr.J.P.D.R.Jayasekara			√		√	√	√	√	√	√	√	√	√	√
8	Mr. K. G. K. Pillai				√	√	√	x	x	x	√	√	√	√	√

RISK MANAGEMENT

Risk Management plays an important role in a Company, as a robust risk management framework positively impacts the short, medium, and long-term success of the Company. Given the multitude of challenges in the operating environment, having prudent risk awareness is a vital requirement when determining the forward strategy and risk mitigation along the way. Therefore, the formulation of risk management strategies with a focus on risk identification, and in-depth evaluation to evade the internal and external risks is a vital requirement of the Company's growth and expansion strategies.

At Asia Asset Finance PLC, the Board of Directors and the Senior Management as well as all staff representing each business unit and branches play a crucial role in risk identification and formulating strategies and implementing the risk management framework

The year 2021 /2022 has been a critical year for all businesses as the world was continuing to see the devastating impact of the Covid-19 as well as some economies were starting to feel the rippling effects. Currently all Sri Lankan businesses are facing the most challenging economic conditions faced. Hence it is very important that a fast dynamic risk management approach is adhered in order to face the challenges confidently.

Risk Management point of view the current economic context has enabled a much more robust, dynamic and responsive risk culture. Risk Management processes has improved the risk and opportunity identification models as well as the Risk mitigation strategies are constantly monitored for their effectiveness. Hence the financial year under review has improved the

Risk management cycle drastically and Board of Directors and Management have taken a positive approach in improving Risk culture of AAF.

RISK STRATEGY

The performance of the sector continues to be affected by the challenging macro-economic situation in the country under the COVID-19 situation and its related economic impediments. As the economy continues to weaken with heavy imports, forex crisis, depreciation of LKR against the US Dollar, declining disposable income and rising inflation and related rise in essential items, our business model was heavily impacted by the credit dampening. Therefore, in this milieu, the Risk Management has become an integral part of our business strategy in managing the constraints that may hamper the progress of the business. By identifying the potential risks and opportunities for the Company, we are able to take prudent preventive and mitigation measures without disruption to the overall objective of the Company.

As the financial industry continue to be affected by a variety of risk factors, we continue to keep ourselves regularly updated of potential threats thereby identifying new ways and means of sustaining our operations while minimizing the risks. Further, we regularly review and update our risk framework to provide the best solution to our business securing the interests of all our stakeholders. Overall objective of the Risk Management strategy is to ensure we reduce and curtail the risk while maximise the opportunities to ensure sustainable values are created for all our stakeholders.

We promote risk responsive prudent culture at all levels of our operations and have fostered a transparent work atmosphere inculcating a knowledge of potential risks among all employees thereby encouraging them to act in a timely and effective manner to mitigate the risks. On this behalf, we frequently update our employees on potential threats and mitigation strategies through training while regularly reviewing and updating our risk management approach to find resolutions that ensure sustainable business progress and the safety of all our stakeholders.

RISK APPETITE

Risk appetite refers to the level of risks that AAF is willing to undertake in the pursuit of its objective. The Board and the board appointed committees continuously monitors the activities against the prevailing situations in the operating environment thereby determining the action in ensuring sustainable growth of the Company. In this regard, the Board reviews the Company's risk profile on a periodic basis and in the event of distress on a more regular basis. All communications and decisions will be documented and presented in a manner understandable for all resources managing risks.

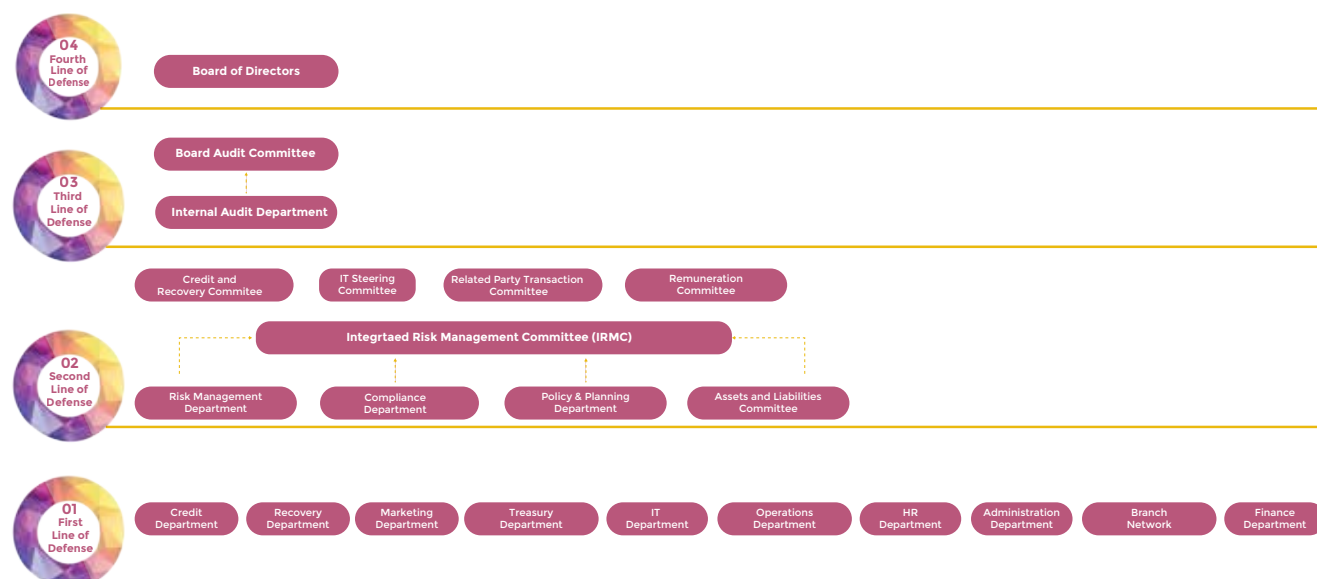
RISK COMMITTEES

The Company has established Risk management Committees to exercise the overall control of risk management process from identifying and reporting of risk, identifying risk mitigation measures and implementation of relevant policy and procedures for risk mitigation, monitoring the directions and guidelines thereby ensuring the effective risk framework of the Company.

Risk Management

In doing so, the Company has established the following Risk Management Committees;

Board Integrated Risk Management Committee (BIRMC)	BIRMC is the Board subcommittee responsible for overseeing the risk management function of the Company in line with the directions of the regulatory authorities and those of the Board of Directors.
Assets & Liability Management Commit tee (ALCO)	Asset and Liability Committee (ALCO) is the formal Management Committee established to manage various risks that arise due to mismatches of contractual maturities of the assets and liabilities (Gap Analysis) of the Company and other operational risks related to liquidity, Interest rate risks, exchange, and segment-wise credit exposures. The investment committee functions under ALCO to evaluate and make recommendation to ALCO on matters relating to investments.
Board Credit Committee	Board Credit Committee is established in order to evaluate and give Directions to the management at the time of new product developments and enhancements or curtailing current products. Further the committee reviews the past actions and monitors the performance of the loan base.
Board Audit committee	Board Audit committee Ensuring the Company adopts, maintains and applies appropriate accounting and financial reporting processes and procedures; Facilitating the independence of the external audit process and addressing issues arising from the audit process; and Ensuring the Company maintains effective risk management and internal control systems. Also Reviewing financial statements and other financial information distributed externally; Monitoring the procedures in place to ensure the Company is in compliance with the Finance Business Act, CSE Listing Rules, CBSL Regulations and other legislative and reporting requirements .
Board IT Committee	The Information Technology Committee(ITC) is an advisor to the Board and management on current and future information technology related issues. It assists the Board in governing and overseeing Company's information technology related matters.ITC monitors formulation and implementation of company's IT strategy and strategic alignment assess , value delivery , resource management, risk management and performance management of AAF IT function in enabling the business strategies and functions of the company.



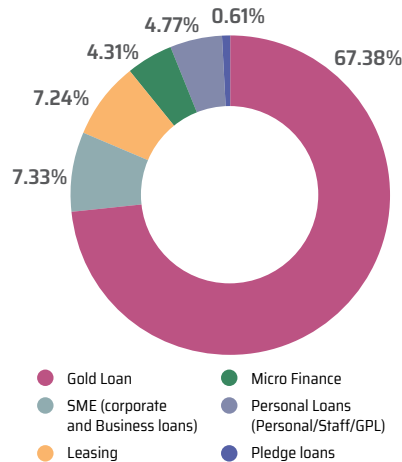
INHERENT RISK(CONTROLLABLE RISK)

Credit Risk

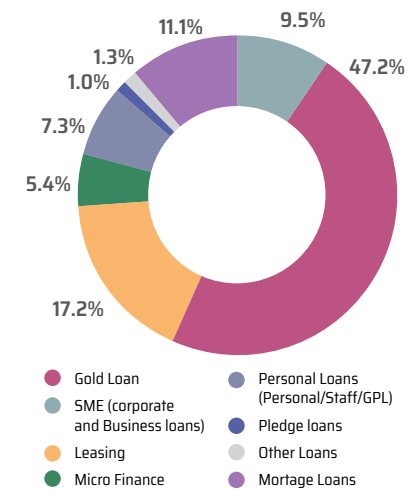
Credit Risk is an inherent Risk for any company executing lending activities. While this cannot be completely eliminated the effect of such activities can be mitigate with careful procedures and policies during granting and post granting. AAF approached the financial year with key strategic changes in the preceding financial year to the product portfolio with strategical changes to the product portfolio in order to minimise on the ripple effect of the covid -19 impact and the Emerging risks such as the Forex crisis, Import controls, Moratoriums, Inflation, unemployment and skill migration.

Credit Risk is identified with the individual loans not paying according to the contractual terms as well as the risk generated through the loan portfolio as a whole where concentration risk on a particular sector (tourism, transport) exposure, Security Exposure, Single Borrower exposure, Geographical exposure and product exposure. Hence controlling these risks was challenging and bold strategic steps had to be employed to ensure risk mitigation steps.

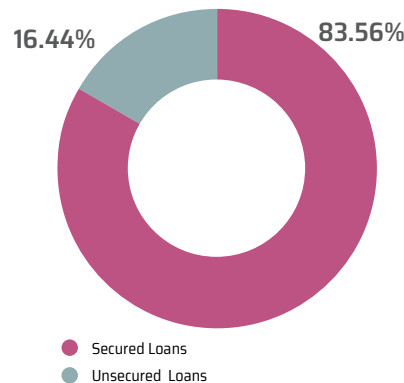
Product composition as at 31/03/2022



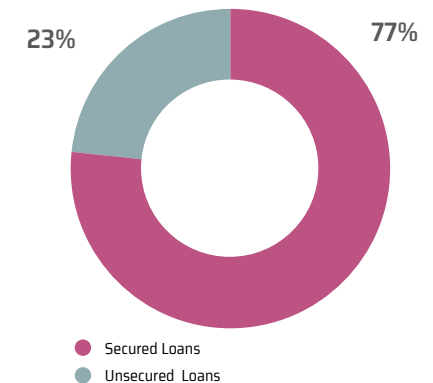
Product composition as at 31/03/2021



Secured vs Unsecured composition 2022

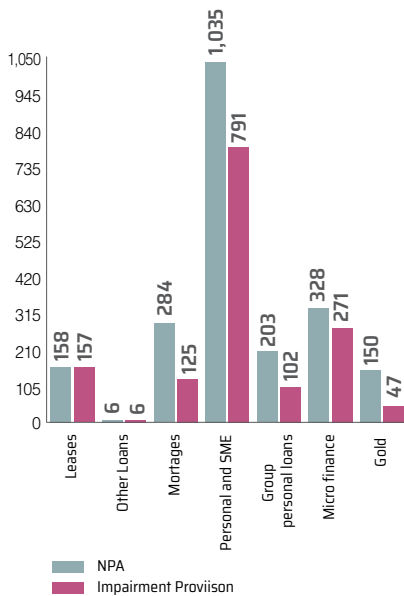


Secured vs Unsecured composition 2021

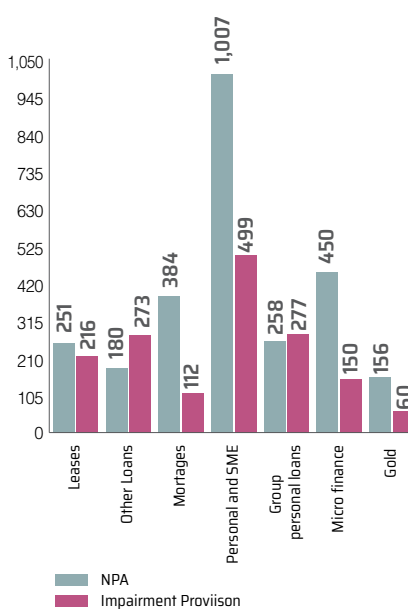


Risk Management

2022 (Rs.Mn)



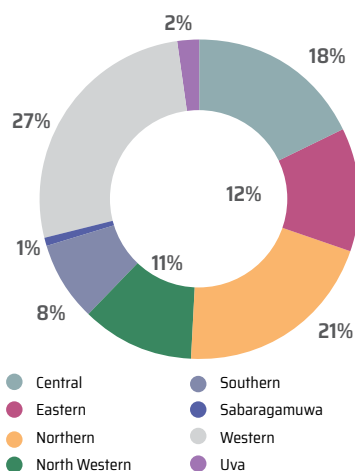
2021 (Rs.Mn)



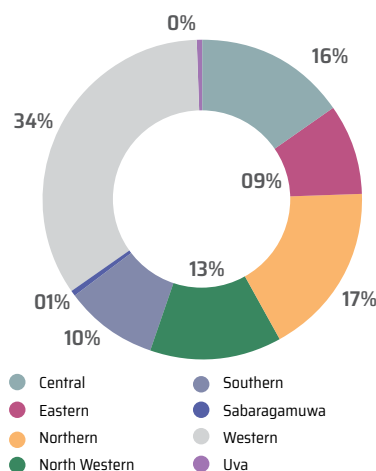
Liquidity risk

Liquidity Risk mainly identifies the firms ability to meet all payment obligations or meet obligations without jeopardizing any future cash-flows or income generation. Liquidity position was greatly managed by the treasury department with the guidance of the ALCO. Liquidity risk was challenging with the moratoriums offered which drained the regular cash flow as well as the low interest rates maintained towards the Beginning of the financial year which discouraged term deposit investments. The company's primary objective in liquidity management is to ensure sufficient funding is available throughout its business cycle. Therefore, in order to ensure timely management of our cash resources, the treasury department has ensured the following strategies are put in place.

Region wise Product portfolio comparison as at 2022



Region wise Product portfolio comparison as at 2021



- The company ensured compliance with the statutory liquidity ratios well above the industry standards
- The second Debenture was introduced with unconventional features for the the funding portfolio
- Stress testing of our liquidity position is conducted on a frequent basis
- Regular ALCO meetings were held and the Committee monitors the liquidity position of the Company and liquidity management.
- The contingency funding has been improved
- The rating upgrade has also attracted for alternative funding lines through banks and other fund management companies.

The liquidity positions were improved with innovative investment products offered by AAF ensuring new funding lines were introduced that gave investors special products to invest with attractive returns. The company managed to raise funds through Debentures which was rated and secured with a fixed term rate for medium term and floating rate for longer tenor attracting retail customers by offering a monthly coupon on a floating rate. This complemented our overall portfolio and provided a good mix by allowing to raise funds at a competitive rate for a longer period. The majority of AAF portfolio consists of fixed rates however the recent funding have been focused on variable rates considering the short life cycle of our Gold loan portfolio.

AAF further worked on improving the rating of the company which materialized during the financial year and gave AAF the required support to bring new investments in the challenging times. AAF successfully maintained the liquidity ratios as well as the Capital Adequacy ratio requirements.

Compliance department has further improved the FIU functions with more technological assistance given and company wide training on the FIU requirements and on the responsibilities of key individuals to ensure a good Compliance culture.

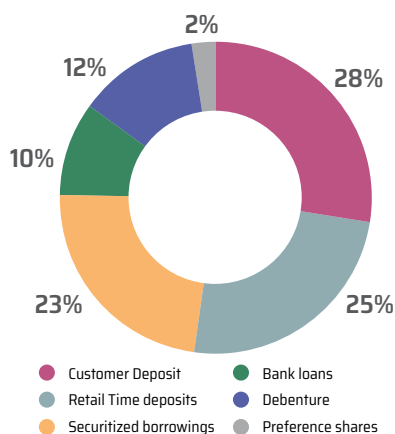
AAF has ensured that the company has worked with the regulatory directions and guidelines and good governance.

IT RISK

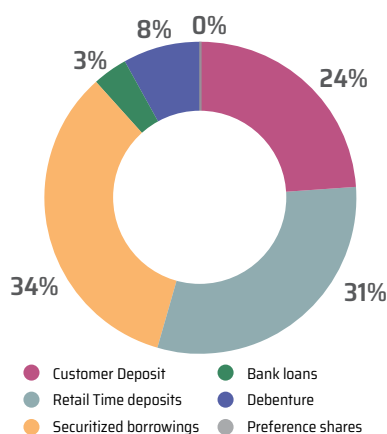
IT improvements with digitization processes became the key theme for the year with the company investing heavily on infrastructure developments of IT. The way internal processes work has changed from paper based procedures to paperless environments. Further the way customer communicate with AAF has also changed with the company going to the customer rather than bringing the customer to AAF. This was especially helpful for the customers with the travel restriction imposed and AAF ensured the customer was getting the financial requirement fulfilled from their homes.

With drastic change in the IT landscape of the company, IT risk is considered the losses arising from the disruption in the systems as well as the financial, Compliance or reputation risk arising due to the security of data. With the IT risk it was important that the investment on the IT development was matched with a higher investment on IT security aspects, hence significant investment was allocated to improve the infrastructure, systems, data backups and Disaster recovery steps. Further periodic audits on IT specific processes are done by In house audit department as well as external auditors who studies the process and monitor

As At 31/03/2022 Funding Mix



As At 31/03/2021 Funding Mix



COMPLIANCE RISK

Compliance risk is to ensure that AAF has ensured that all applicable laws of the country and the regulatory guidelines, Directions and General code of conduct is practiced without any breach and to ensure the Compliance of the same and protect the reputation of the company and its stakeholders.

With a challenging time for the finance industry it was a challenging period for

the regulators as well with the need to provide certain relief to support the effects of the lock downs. Hence direction kept on being added and changing over a short period. With the responsibility of the implementation and also the communication of the same to the management as well as the customers. It was important these directions were properly implemented to ensure the objective of providing the required relief to the customers as well as safe guarding the interest of the company.

Risk Management

for any unidentified Risks as well as maintain the strategies implemented as risk migrations.

OPERATIONS RISK

While the year in the review began with Covid -19 impact and the Moratorium impact and the subsequent economic downturn the operations risk has aggravated with the current energy crisis and social and political instability. Operational Risk is the risk arising due to the loss of assets (data breaches), Theft of assets, breakdown and delays of operations and any other factors that prevent the company from harvesting the projected income or expected smooth processes.

Operation Risk has become the Key risk in this environment as the dynamics of the impact and the probability of the impact keeps changing on very short time. It is very important that AAF plans and discuss the operation risks reported and have a continuous methodology of operation risk identifications. Internal audit department who is entrusted with monitoring the mitigating strategies are practiced throughout the business operations. Internal Audit function is broken into two units who works in house as well as a team visiting the branches for verification. Business Continuity plan has been improved and the specific disaster recovery procedure retested to ensure all areas are covered.

AAF has identified training and development as one of the key risk mitigation factors, hence has improved drastically the training budget and the training opportunity given for the staff.

Furthermore, AAF is adequately insured against any loss arising due to the losses as part of the business processing.

OUTSIDE RISK (UNCONTROLLABLE RISK)

Market Risk

Market Risk is the effect on the value creation and earnings due to the market forces changing. With the changes that took shape towards the economic downturns the impact on the market risks is very high. However, the risk depended on how much exposure and the position the company had at the time of impact. Key factors that came into play were the Exchange rates, Commodity prices, Consumer index and interest rate risk.

From the above risks the majority impact to the business is the changes in the Gold loan prices and Interest rate changes. These are identified to have a high impact in the risk management point of view as several key strategic decisions are taken based on the behaviour of these factors.

Key daily monitoring and stress testing of these factors and changing the business direction on based on the results have ensured that AAF is currently in a very stable position despite the high volatility in the market.

AAF having a bigger focus on gold loan financing it is important that activity of the gold commodity is evaluated daily and the gold loan activities in the branches monitored on a real time basis with bulk of the control built through system parameters and special unit monitoring the quality of the gold and the process of each granted ticket.

Interest rate risk

While interest rate risk in part of the market Risk due to the importance of the Interest rate for the assets side as well as the liability side and the cash flow management it is taken separately as a key risk to monitor. Interest rate within the year under review changed drastically and the treasury had to have the mitigating factors in place for the Interest rate hike which we saw in beginning of the 2021/2022 financial year. It was important that the Interest rate was properly monitored, and stress tested in order to balance the cash flow requirement and also signal the business units the repricing of the lending base. AAF as a result of the credit risk mitigation techniques has enabled a pricing formula that ensure the company maintain the all important Net Interest Margin within the risk tolerance levels

Key CBSL reports on the T-bill rates, AWLR, AWPR are monitored to take steps on the stress testing scenarios.

INFORMATION TECHNOLOGY COMMITTEE REPORT

THE COMPOSITION OF THE COMMITTEE

The Information Technology Committee (ITC) functions as a Board Sub-committee with board approved terms of reference.

The Information Technology Committee (ITC) has been established to advise the Board and management on current and future information technology related issues. It assists the Board in governing and overseeing Company's information technology related matters.

The Committee comprised of the following members,

Mr. Rajitha Basnayake (Chairman)
Mr. V A Prasanth
Mr. J.P.D.R Jayasekara
Mr. Rajiv Gunawardena (Director/CEO)
Mr Inditha Jayatileke (AGM IT)
(appointed on 22nd September 2021)

The Committee is responsible and reports to the Board of Directors. Mr. Rajitha Basnayake, Mr. J.P.D.R. Jayasekara and Mr. V. A. Prasanth are Non Executive Directors.

TERMS OF REFERENCE

The Committee, by providing insight and timely advice and discussion, assists the Board of Directors to effectively carry out its responsibilities in relation to Information technology matters of the company.

ITC monitors formulation and implementation of company's IT strategy and assess strategic alignment, value delivery, resource management, risk management and performance management of company's IT function in enabling the business strategies and functions of the company.

The Committee has been empowered to:

1. Provide guidance on the overall IT strategy and monitor progress
2. Review IT capital and annual expenditure budgets and significant IT investment decisions, prior to them being sent to the Board of Directors for approval
3. Review formulations and amendments to IT 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 four (4) meetings during the year under review.

Senior Management staff are also invited to attend IT meetings as and when required. The proceedings of the IT Committee meetings are reported to the Board of Directors. The minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board is thus obtained for implementation of the recommendations made by the Committee. Follow up action will be taken on outstanding matters on a regular basis.

KEY ACTIVITIES DURING THE PERIOD UNDER REVIEW

The committee reviewed the IT Strategic Plan together with the Digital Transformation Roadmap initiatives aligned to achieve company's strategic growth objectives. AAF IT achieved significant milestones during the period under review underpinning rapid growth of island-wide branch

network and omnichannel marketing strategies improving customer experience and quality of service. Timely investment decision made during second quarter of the financial year resulted successful migration of our hardware and network platforms to robust, scalable and secure state of art IT infrastructure with leading practice BCP/DR recovery strategies which has now laid a solid foundation to support the growth of our business in years to come. Other notable IT initiatives implemented include the implementation e-Audit solution, Gold Loan customer on-boarding App, Business process and paperless office automation solutions contributing heavily for the improvement of productivity, efficiency, customer service and strengthening of internal control systems.

The committee reviewed the adequacy of IT risk management framework, policies, procedures in compliance with CBSL directives and leading information security practices and guidelines and provided guidance to reinforce technology risk management and resilience.

The Committee also reviewed significant IT capital and recurring expenditure items proposed for procurement and recommended them for approval by the Board of Directors.



Rajitha Basnayake
Chairman

Information Technology Committee
28th April 2022

BOARD 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. V.A. Prasanth (Chairman – Appointed w.e.f. from 01 July 2020)
Mr. R.A.T.P. Perera
Mr. J.P.D.R. Jayasekera
Mr. R.J.A. 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.V.A.Prasanth, Mr. R.A.T.P. 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 nine meetings during the year under review. Senior Management staff also attend meetings as and when required. The number of IRMC meetings were increased to monthly meetings considering the importance of evaluating the risk levels and risk mitigation strategies of the Company. The proceedings of the IRM Committee meetings are regularly reported to the Board of Directors.

NO OF MEETINGS ATTENDED

Mr. V. A. Prasanth	8/8
Mr. R.A.T.P.Parera	6/8
Mr. R.J.A.Gunawardena	6/8
Mr. J.P.D.R. Jayasekera	8/8
Mr. K.R. Bijimon	5/8

REGULATORY COMPLIANCE

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



V.A. PRASANTH
Chairman
IRMC
28th April 2022

REMUNERATION COMMITTEE REPORT

COMPOSITION

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

Mr. V.A. Prasanth (Chairman - Appointed w.e.f. from 01 July 2020)

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. V.A. Prasanth, 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

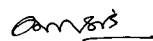
All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on sub-committees.

COMMITTEE MEETINGS

A formal meeting of the Committee takes place whenever necessary. During the financial year 2021-22, the Committee met on two occasions.

NO OF MEETINGS ATTENDED

Mr. V. A. Prasanth	3/3
Mr. G.M.Alexander	3/3
Mr. R.A.B. Basnayake	3/3
Mr. J.P.D.R. Jayasekara	3/3
Mr. R.A.T.P. Perera	3/3



V.A. PRASANTH
Chairman
Remuneration Committee
28th April 2022

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 2022.

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 kinds 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 into 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 page 12 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 30 to 39 of this annual report.

FINANCIAL STATEMENTS

The completed financial statements of the Company have 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 112 to 115.

AUDITORS REPORT

The Auditor's Report on the Financial Statements is given in pages 108.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements are given in pages 119 to 204.

Financial Results

Description	2021/22 Rs.	2020/21 Rs.
Total Income	3,182,712,882	2,954,814,601
Net Interest Income	1,251,844,319	1,262,684,771
Profit before Taxation	202,282,301	86,747,175
Income Tax Reversal/(expense)	(83,720,568)	(41,551,058)
Profit after Taxation	118,561,733	45,196,117
Loans and Advances	14,729,182,119	10,198,262,863
Lease rentals receivable and Hire purchase	1,084,117,530	2,212,534,894
Total Assets	19,341,788,019	15,350,430,089
Deposits from Customers	8,695,180,271	7,011,525,892
Total Equity	2,755,511,106	2,222,079,395

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 23 of the Financial Statements on page 156.

STATED CAPITAL

The stated Capital of the Company as at 31st March 2022 was Rs. 2,205,463,801.00 /-

DONATIONS

The Company has made donations of Rs.1,933,187.68/- during the financial year under review.

CAPITAL COMMITMENTS

Capital commitment is Rs. 15,463,226/- for software as at 31st March 2022.

PROVISIONS

Impairment Provision is Rs 492,904,301/- and Provision for Depreciation is Rs 126,281,463/- and Amortization is Rs 7,791,255.38/- as at 31st March 2022.

PROVISION FOR THE TAXATION

The provision for Taxation is Rs 83,720,568/-.

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 2022 are set out in note 37 and on page 179 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.

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

DIRECTORS WHO HELD OFFICE DURING THE YEAR

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

Mr. V. A. Prasanth
Chairman/ Independent
Non Executive Director

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

Mr. R. A. T. P. Perera
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)

Appointments during 1st April 2021 to 31st March 2022

Nil

Resignations 1st April 2021 to 31st March 2022

Nil

Appointments after the conclusion of the year

Nil

Resignations after the conclusion of the year

Nil

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

Mr. V.A. Prasanth
Chairman / Independent Non
Executive Director

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

Mr. R. A. T. P. Perera
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 8 Directors, Mr. R. A. B. Basnayake is an Independent Non-Executive Director and the Senior Director of the Board.

DIRECTORS RETIRING (AT THE ANNUAL GENERAL MEETING)

- 1) Mr. K. R. Bijimon 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.
- 2) Mr. G. Alexander 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.

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, IT Steering Committee and Credit & Recovery 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 2022

Mr. R. A. T. P. Perera
(Independent Non-Executive Director)
Chairman
Mr. V. A. Prasanth
(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 2022

Mr. V. A. Prasanth
(Chairman/ 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
(Independent Non-Executive Director)
- Member

RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31ST MARCH 2022

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)
- Chairman
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 2022

Mr. V. A. Prasanth
(Independent Non-Executive Director)
- 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 2022

Mr. R. A. B. Basnayake
(Senior Independent Non-Executive Director) - Chairman
Mr. V. A. Prasanth
(Independent Non-Executive Director)
-Member
Mr. R.J.A. Gunawardena
(Chief Executive officer) - Member
Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)
- Member
Mr. Inditha Jayathilake - Member

CREDIT COMMITTEE AS AT 31ST MARCH 2022

Mr. V. A. Prasanth
(Independent Non-Executive Director)
- Chairman
Mr. R.J.A. Gunawardena
(Chief Executive officer) - Member
Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)
- Member
Mr. K.R. Bijimon
(Non-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 9 on pages 139 of the Financial Statements.

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

DIRECTORS' INTEREST IN SHARES - ORDINARY SHARES

Name	No. of Shares as at 31st March 2022	%	No. of Shares as at 31st March 2021	%
Mr. V. A. Prasanth	-	-	-	-
Mr. R.J.A. Gunawardena	-	-	-	-
Mr. R.A.T.P Perera	-	-	-	-
Mr. G.M. Alexander	-	-	-	-
Mr. K.R. Bijimon	-	-	-	-
Mr. K.G.K.Pillai	-	-	-	-
Mr.R.A.B.Basnayake	-	-	-	-
Mr. J. P. D. R. Jayasekara	-	-	-	-

DIRECTORS' INTEREST IN CONTRACTS - ORDINARY SHARES

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 45 on page 186 of the Financial Statements.

Shareholders Information - Ordinary Shares

The distribution and analysis of shareholdings were as follows;

	As at 31st of March 2022			As at 31st of March 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1- 1,000	1,391	326,917	0.26	855	337,741	0.04
1,001 -10,000	473	1,897,009	1.53	832	3,889,928	0.46
10,001-100,000	209	7,101,367	5.72	675	27,591,142	3.29
100,001-1,000,000	31	7,606,031	6.12	242	79,590,138	9.48
1,000,001 & over	5	107,264,209	86.37	37	727,798,884	86.73
Total	2,109	124,195,533	100.00	2,641	839,207,833	100

	As at 31st March 2022			As at 31st March 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	2,097	33,403,568	26.896	2,625	328,911,217	39.19
Non-Resident	12	90,791,965	73.104	16	510,296,616	60.81
Total	2,109	124,195,533	100	2,641	839,207,833	100

	As at 31st March 2022			As at 31st March 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	2021	11,882,124	9.57	2,545	181,337,802	21.61
Institutional	88	112,313,409	90.43	96	657,870,031	78.39
Total	2,109	124,195,533	100	2,641	839,207,833	100

TWENTY MAJOR SHAREHOLDERS LIST - AS AT 31ST MARCH 2022 - ORDINARY SHARES

Name	As at 31st March 2022		As at 31st March 2021	
	NO. OF SHARES	%	NO. OF SHARES	%
1 MUTHOOT FINANCE LIMITED	90,558,778	72.92	90,558,778	72.92
2 SEYLAN BANK PLC. / SENTHILVERL HOLDINGS (PVT) LTD	7,692,693	6.19	7,692,693	6.19
3 J.B. COCOSHELL (PVT) LTD	4,416,027	3.56	2,259,032	1.82
4 HATTON NATIONAL BANK PLC. / SRI DHAMAN RAJENDRAM ARUDPRAGASAM	3,095,431	2.49	3,095,431	2.49
5 PEOPLE'S LEASING & FINANCE PLC. /MR.W.K.R.JAYAKODY	1,501,280	1.21	1,501,280	1.21
6 MR K.M.S.M. RAZEEK & MR K.S.M. RAJUBDEEN & MR S.M.R. MOHAMED	740,000	0.60	740,000	0.60
7 MERCHANT BANK OF SRI LANKA & FINANCE PLC. / W.K.R. JAYAKODY	644,553	0.52	604,553	0.49
8 PEOPLE'S MERCHANT FINANCE PLC. / K. L. G. UDAYANANDA	565,000	0.45	-	0.00
9 MR C.W. GUNASEKARA	500,000	0.40	500,000	0.40
10 SEYLAN BANK PLC. / KARAGODA LOKU GAMAGE UDAYANANDA	495,792	0.40	495,792	0.40
11 MR P.P. SUBASINGHE	360,306	0.29	392,623	0.32
12 MR. W. K. R. JAYAKODY	338,792	0.27	-	0.00
13 MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	299,999	0.24	249,999	0.20
14 MR T.S. SALIM	251,127	0.20	246,127	0.20
15 MR R. UDALAGAMA	249,830	0.20	249,830	0.20
16 MYLAND DEVELOPMENTS LIMITED	242,500	0.20	-	0.00
17 SAMPATH BANK PLC. / MR. ABISHEK SITHAMPALAM	229,389	0.18	229,389	0.18
18 DFCC BANK PLC. / MR.C.R.PERERA	200,000	0.16	200,000	0.16
19 MR U.C. BANDARANAYAKE & MRS L. BANDARANAYAKE	200,000	0.16	200,000	0.16
20 SEYLAN BANK PLC. / CHANNA NALIN RAJAHMONEY	194,344	0.16	-	0.00
	112,775,841	90.81	109,215,527	87.94
OTHERS	11,419,692	9.19	14,980,006	12.06
TOTAL	124,195,533	100	124,195,533	100

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

SHARE PRICES FOR THE YEAR - ORDINARY SHARES

	As at 31/03/2022	As at 31/03/2021
Highest during the year	Rs.11.00 (06-01-2022)	Rs. 9.10 (07-01-2021)
Lowest during the year	Rs.5.40 (30-03-2022)	Rs.5.50 (29-03-2021)
As at end of the year	Rs.6.70 (31.03.2022)	Rs.5.60 (31.03.2021)

PUBLIC SHAREHOLDING

Public Holding percentage as at 31st March 2022. .Rs.27.084%

SHARE DISTRIBUTION AS AT 31ST MARCH 2022 - PREFERENCE SHARES

From	To	No. of Holders	No. of Shares	%
1	1,000	49	10,817	0.03
1,001	10,000	13	39,677	0.10
10,001	100,000	10	307,043	0.73
100,001	1,000,000	-	-	-
Over 1,000,000		2	41,040,974	99.14
Total		74	41,398,511	100.00

CATEGORIES OF SHAREHOLDERS - PREFERENCE SHARES

	No. of Shareholders	No. of Shares	%
Local Individuals	63	185,089	0.45
Local Institutions	9	1,525,573	3.68
Foreign Individuals	1	333	0
Foreign Institutions	1	39,687,516	95.87
	74	41,398,511	100

MAJOR SHAREHOLDER LIST AS AT 31ST MARCH 2022 - PREFERENCE SHARES

REF.	NAME	SHARES	%
1	MUTHOOT FINANCE LIMITED	39,687,516	95.87
2	J.B. COCOSHELL (PVT) LTD	1,353,458	3.27
3	DFCC BANK PLC/MR.K.S.D.SENAWEERA	72,250	0.17
4	COCOSHELL ACTIVATED CARBON COMPANY (PRIVATE) LIMITED	50,000	0.12
5	MR. W.A.J. SANJEEWA	50,000	0.12
6	MERCHANT BANK OF SRI LANKA & FINANCE PLC/Y.R.P. DE SILVA	25,657	0.06
7	MR R.J. THOMAS	23,741	0.06
8	BANSEI SECURITIES CAPITAL (PVT) LTD/N.A.WAKISHTA	22,390	0.05
9	MR Y.R.P. DE SILVA	19,598	0.05
10	MR G.V. SANJAYA	15,007	0.04
11	MR G.R. SELLAHEWA	15,000	0.04
12	MR N.A. WAKISHTA	13,400	0.03
13	MIS M.A.B.C. MANCHANAYAKE	7,389	0.02
14	MR B. THIYAGENDRAN	4,674	0.01
15	MR L.L. MIGARA	4,279	0.01
16	MR P. SIVAPATHASUNTHARAM & MR S. SANJIETH	4,000	0.01
17	MR T.M.N.C.M. THENNAKON	3,908	0.01
18	MRS S. MANAWADU	3,030	0.01
19	MR S.M.C.N. SAMARAKON	2,670	0.01
20	MRS R. SIVAPATHASUNTHARAM	2,000	0.00
		41,379,967	99.96%
	OTHERS	16,644	0.04%
		41,396,611	100.00

SHARE PRICES - PREFERENCE SHARES

	As at 31.03.2022		As at 31.03.2021	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest during the year	22.03.2022	12.10	-	-
Lowest during the year	22.03.2022	9.20	-	-
As at end of the year	29.03.2022	11.00	-	-
Public Holding percentage as at 31st March 2022				4.133%
Number of shareholders representing the above percentage				73
The float adjusted market capitalization as at 31st March 2022				Rs. 18,820,945.00

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

DIRECTOR'S SHAREHOLDING AS AT 31ST MARCH 2022 (PREFERENCE)

	No. of Shares	%
1 Mr. V. A. Prasanth	-	-
2 Mr. R. J. A. Gunawardena	-	-
3 Mr. R. A. T. P. Perera	-	-
4 Mr. G. M. Alexander	-	-
5 Mr. K. R. Bijimon	-	-
6 Mr. K. G. K. Pillai (Alternate Director - Mr. K. R. Bijimon)	-	-
7 Mr. R. A. B. Basnayake	-	-
8 Mr. J. P. D. R. Jayasekara	-	-

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is on page 229.

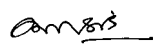
AUDITORS

The Financial Statements for the year ended 31st March 2022 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.2,165,000/- as Audit fees by the Company.

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

By Order of the Board



V. A. Prasanth
Chairman/ Director



R. A. B. Basnayake
Senior Director



P. R. Secretarial Service (Private) Limited
Secretaries

30th June 2022

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS

INTRODUCTION

We were engaged by the Board of Directors of Asia Asset Finance PLC ("The Company") to provide assurance on the Directors' Statement on Internal Control ("the Statement") included in the annual report for the year ended 31st March 2022.

Management's responsibility
Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 10(2) (b) of the Finance Leasing (Corporate Governance) Direction no. 4 of 2009, by the Institute of Chartered Accountants of Sri Lanka.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051 – Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

SUMMARY OF WORK PERFORMED

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures.

1. We had an initial meeting with the Deputy General Manager Finance and other relevant key management personnel of the Company and discussed the Company's approach in assessing, designing and effectiveness of the Company's internal controls over financial reporting.
2. Requested all correspondence related to Directors' Assessment on design and effectiveness of the Internal Control of the Company and performed further procedures including the following:
 - 2.1 We independently reviewed the documentation of internal controls related to the key processes provided by the management and confirmed the completeness of such documentation by performing walkthroughs and test of controls.
 - 2.2 We reviewed the findings by Internal Auditors related to internal control weaknesses including the suggestions for improvements.
 - 2.3 Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees such as the Audit Committee.
3. Considered whether the Directors' Statement on Internal Control covers the year under review and adequate processes are in place to identify any significant matters arising.
4. Considered whether the Directors have disclosed that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, whether it has been in

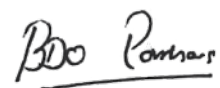
place for the year under review, whether it is regularly reviewed by the Board. Further, we considered whether the explanations given in the statement are consistent with our understanding.

5. Reviewed other documentation prepared by, or for the Directors to support their Statement on Internal Control.
6. Obtained written representations from Directors on matters material to the Statement on Internal Control when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.



CHARTERED ACCOUNTANTS
Colombo 02
28th April 2022
VR/cc

DIRECTORS RESPONSIBILITY STATEMENT

The responsibility of the Directors in relation to the financial statements of the company is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provision of the Companies Act No.07 of 2007, is set out in the independent Auditors' report appearing on page 108. The Directors are required by the companies Act No.07 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statements of affairs of the Company as at the end of the financial year and the profit and loss and cash flows of the Company for the financial year.

The Directors confirm that the financial statements of the Company for the year ended 31st of March 2022 have been prepared and presented in accordance with Sri Lanka Accounting Standards and Companies Act No.07 of 2007. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

The Board of Directors of Asia Asset Finance PLC ("Board") holds the responsibility of approving and monitoring the strategic objectives and corporate values of the Company. Further they ensure that these strategies are communicated within the organization, stakeholders, lenders and creditors. This strategic responsibility extends to cover the overall risk policy and risk management procedures for at least the subsequent three years. The

obligations of the Board also extend to reviewing internal structure and management of the organization.

The hierarchy of the organization must be monitored and continually assessed resulting in the identification of capable and qualified personnel whose position must be defined so as to review and oversee the policies, management and the strategic objectives of the business. This periodic assessment of the organization would result in selection and nomination of Directors to the Board and other personnel to different positions in the hierarchy. The interests of all personnel are brought to notice and lead to lesser conflicts of interests between such persons, their benefits and the Company. This assessment would result in a diverse hierarchy spanning personnel from different fields of expertise representing a wide range of operational and business aspects.

The Board must also draft 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. The hiring of Auditors is a duty of the Board so as to ensure that a third party without vested interest in the Company, reviews its operations or assets and examines the conduct of the personnel and the Company in detail, on a regular basis. Such a review must be communicated to all stakeholders with an interest in the operations of the Company so as to improve transparency and trust between the Company and such persons.

The Board has the power to appoint a Chairman and a Chief Executive Director in accordance with the Financing Leasing (Corporate Governance) Direction No. 04 of 2009. The Board could seek for independent advice and assistance to supplement the Board in discharging their duties. However, the procedure to receive such assistance could be resolved by the Board. Independency of the Directors could be maintained by ensuring that a Director who has a direct or indirect interest, whether monetarily or personal could abstain from voting for a Board resolution of such a matter and such a Director would not be considered to constitute the quorum. Certain matters could be formally recognized by the Board to lie within their parameters of decision making.

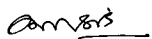
The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action. The Board shall include in the relevant establishment's Annual Report, an annual corporate governance report setting out the compliance with this Direction. The Board is responsible for ensuring that the Company maintains proper books of accounts of all transactions and prepares financial statements for each financial year which gives a true and fair view of the Company's state of

affairs for that time period which is a statutory obligation under Section 150 of the Companies Act No.07 of 2007. The Board shall adopt a scheme of self-assessment to be undertaken by each director annually and maintain records of such assessments.

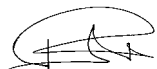
The Directors have adopted the "going concern basis" in preparing the Financial Statements. Having reviewed the Group's business plans, the Directors are satisfied that the Company has adequate resources to continue in operation.

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 the employees and all other statutory obligations including retirement gratuities as were due as at the Balance Sheet date have been either duly paid or have been appropriately provided for in the Financial Statements.

On behalf of the Board of Directors;



V. A. Prasanth
Chairman



Rajiv Gunawardena
Director/CEO

28th April 2022

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

INTRODUCTION

We were engaged by the Board of Directors of Asia Asset Finance PLC ("The Company") to provide assurance on the Directors' Statement on Internal Control ("the Statement") included in the annual report for the year ended 31st March 2022.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 10(2) (b) of the Finance Leasing (Corporate Governance) Direction no. 4 of 2009, by the Institute of Chartered Accountants of Sri Lanka.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051 – Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

SUMMARY OF WORK PERFORMED

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

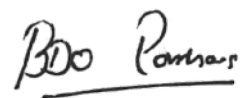
To achieve this objective, appropriate evidence has been obtained by performing the following procedures.

1. We had an initial meeting with the Deputy General Manager Finance and other relevant key management personnel of the Company and discussed the Company's approach in assessing, designing and effectiveness of the Company's internal controls over financial reporting.
2. Requested all correspondence related to Directors' Assessment on design and effectiveness of the Internal Control of the Company and performed further procedures including the following:
 - 2.1 We independently reviewed the documentation of internal controls related to the key processes provided by the management and confirmed the completeness of such documentation by performing walkthroughs and test of controls.
 - 2.2 We reviewed the findings by Internal Auditors related to internal control weaknesses including the suggestions for improvements.
 - 2.3 Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees such as the Audit Committee.
3. Considered whether the Directors' Statement on Internal Control covers the year under review and adequate processes are in place to identify any significant matters arising.
4. Considered whether the Directors have disclosed that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, whether it has been in place for the year under review, whether it is regularly reviewed by the Board. Further, we considered whether the explanations given in the statement are consistent with our understanding.
5. Reviewed other documentation prepared by, or for the Directors to support their Statement on Internal Control.
6. Obtained written representations from Directors on matters material to the Statement on Internal Control when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.



CHARTERED ACCOUNTANTS

Colombo 02
28th April 2022
VR/cc

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee, which is appointed by the Board of Directors of the Company, consists of the following Independent Non- Executive Directors who possess in depth expertise and knowledge in the Finance Industry:

- Mr. J.P.D.R. Jayasekara (Chairman)
- Mr. K.R. Bijimon
- Mr. R.A.B. Basnayake

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company. It is also established to enhance corporate transparency and promote fair transactions. The committee is responsible for reviewing related party transaction as well.

Furthermore, the core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules. The Related Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- 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.

PROFESSIONAL ADVICE

The Committee has assessed and/ or ensured that they have access to internal and external resources and may seek the advice of the External Auditors of the Company, Counsel or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee with respect to any Related Party Transaction and obtain such advice as and when necessary

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.

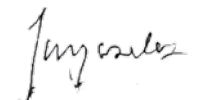
KEY ACTIVITIES DURING THE YEAR UNDER REVIEW

During the year 2021/22, there were no non - recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

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.

FUTURE OUTLOOK

The Committee will continue to review related party transactions to ensure the Company is in compliance with its stipulated framework governing related party transactions. The committee will also adopt new practices and policies to ensure that the committees maintains the highest standards in its governance structure and will seek external support where necessary.



J.P.D.R. Jayasekara
Chairman

Related Party Transaction Committee
28th April 2022

BOARD AUDIT COMMITTEE REPORT

COMPOSITION

The Board-appointed Audit Committee comprises five Non-Executive Directors of whom four are Independent Directors

The members of the board-appointed audit committee in the year under review were:

Mr. R.A.T.P. Perera (Chairman) INED

Mr. V. A. Prasanth – INED

Mr. R. A. B. Basnayake - SINED

Mr. J. P. D. R. Jayasekara - INED

Mr. K. G. K. Pillai - NED

**INED - Independent Non-Executive Director*

***NED - Non-Independent Non-Executive Senior Independent Non-Executive Director*

The Committee's composition met the requirements of the rule 7.10.6 of listing Rules of the Colombo Stock Exchange and Finance Business (Corporate Governance) Direction No: 03 of 2008.

The Chairman of the Committee, Mr. R.A.T.P. Perera, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of Certified Management Accountants of Sri Lanka. A brief profile of the members of the audit committee is given in the pages 42 to 45.

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.

The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company

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.

TERMS OF REFERENCE

The Audit Committee adheres to terms of reference, dealing with its authority and duties established for the purpose of assisting the Board 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 terms of reference of the committee is reviewed periodically by a Board of directors

ACTIVITIES

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 programs and 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.

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. R.A.T.P. Parera	6/6
Mr. V. A. Prasanth	6/6
Mr. K.G.K. Pillai	6/6
Mr. R.A.B. Basnayake	6/6
Mr. J.P.D.R. Jayasekara	6/6

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

The Director/CEO, COO and Senior Managers of 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 the commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach, procedures, and matters relating to the scope of the 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 the re-appointment of Messrs. BDO Partners as the independent External Auditor for the financial year ending 31st March 2023 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 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 risk

Board Audit Committee Report

As AAF is now heavily dependent on Business systems and sophisticated IT infrastructure, the committee emphasized the importance of regular IT governance, application, and infrastructure reviews to mitigate risk stemming from these systems. AAF retained a leading IT Risk advisory service firm to review and report applications controls and IT risks on our business systems to reinforce internal audit processes. The committee reviewed reports of the auditors and provided guidance in strengthening controls. The implementation of the e-Audit solution on Core business applications streamlining the internal audit process from planning, and execution to exception reporting during the year was a notable achievement which resulted in reinforcing risk management processes and internal controls whilst improving productivity, efficiencies of auditing staff. The e-Audit reduced travel, time, and waste of paper whilst witnessing, tracking, and delivering results in real-time.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to the adoption of new and revised Sri Lanka Accounting Standards (SLFRS/ LKAS) applicable to the Company and made necessary recommendations to the Board. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board informed at regular intervals.

Evaluation 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.

WHISTLEBLOWER POLICY

The whistle blower policy and appropriate procedures are in place to conduct independent investigations into any reported incidents through whistleblowing or identified through other means. The policy guarantees the maintenance of strict confidentiality of whistleblowing. During the year under review, no such incident was reported.

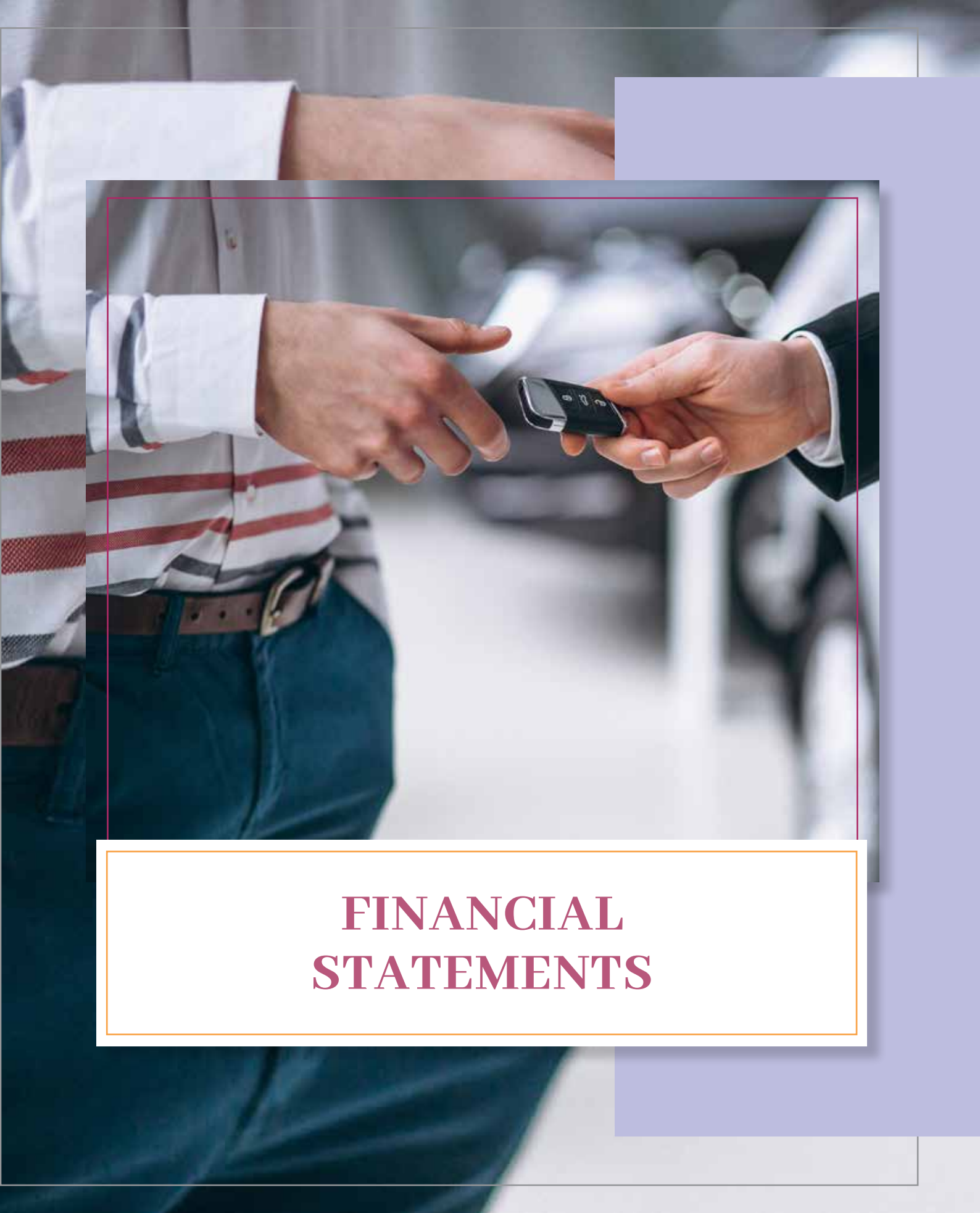
CONCLUSION

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



Thusitha Perera
Chairman

Audit Committee
28th April 2022



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT



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Website : www.bdo.lk

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 2022, and the statement of income and 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2022, 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. 17.3 billion as at 31st March 2022 (2021: Rs. 14 billion) and impairment allowance for the year amounts to Rs. 493 million at 31st March 2022 (2021: Rs. 383 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.

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.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). M.N. Mohamed Nabeel ACA. D. Jerad N. Dias ACA. Madhura V. De Silva FCA, MSc.

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, advance, lease or hire purchase 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.

Key areas of significant judgments, estimates and assumptions used by management related to the impact of prevailing macroeconomic conditions and COVID-19 in the assessment of the impairment allowance included the following:

- The probable impacts of prevailing macroeconomic conditions and COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Company);
- The determination on whether or not customer contracts have been substantially modified due to such COVID-19 related stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances;
- Forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impact from prevailing macroeconomic conditions and COVID-19 that may affect future expected credit losses.

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

- Note 11 – Impairment charge for lease rental receivables, hire purchase and loans and advances
- Note 18.8 – Financial assets at amortised cost – Loan and advances
- Note 18.7 – 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 evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.
- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied by comparing these to the requirements of SLFRS 9: Financial Instruments, particularly in light of the deteriorating and extremely volatile economic scenarios caused by prevailing macroeconomic conditions, COVID-19 pandemic and government responses based on the best available information up to the date of our report.
- 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.

Independent Auditor's Report

- We assessed whether judgments, estimates and assumptions used by the management in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Further, we assessed the reasonableness of the Company's considerations of the economic uncertainty relating to prevailing macroeconomic conditions and COVID-19.

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.
- Evaluating the reasonableness of the provisions made with particular focus on the prevailing macroeconomic conditions as well as, on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.

For loans and advances affected by government stimulus and debt moratorium relief measures granted:

- Assessing the appropriateness of judgments, reasonableness of calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications; and
- Evaluating the reasonableness of the interest income recognised on such affected loans and advances.

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. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we 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 SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 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.

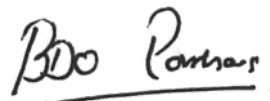
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
28th April 2022
VR/cc

INCOME STATEMENT

For the Year Ended 31st March 2022

	Note	2021/2022 Rs.	2020/2021 Rs.
Interest income	4	2,576,080,610	2,725,047,627
Less: Interest expenses	5	(1,324,236,291)	(1,462,362,856)
Net Interest income	6	1,251,844,319	1,262,684,771
Net trading loss on held for trading securities			
Fees and Commission Income	7	591,567,029	213,465,679
Other operating income	8	15,065,243	16,301,295
Less: Operating expenses			
Personnel expenses	9	(333,319,633)	(276,092,770)
Depreciation and Amortization Cost	10	(128,652,792)	(92,295,335)
General and administration expenses		(664,817,564)	(609,275,579)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	11	(492,904,301)	(382,940,886)
Operating profit before value added tax on financial services	12	238,782,301	131,847,175
Value added tax on financial services	13	(36,500,000)	(45,100,000)
Profit before income tax		202,282,301	86,747,175
Income tax expenses	14	(83,720,568)	(41,551,058)
Profit for the year		118,561,733	45,196,117
Earnings per share - basic	36.1	0.95	0.36
Earnings per share - diluted	36.2	0.72	0.36

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 to 204 form an integral part of these financial statements.

Colombo
28th April 2022

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the Year Ended 31st March 2022

	Note	2021/2022 Rs.	2020/2021 Rs.
Profit for the year		118,561,733	45,196,117
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)			
Actuarial loss on retirement benefit liability	33	1,164,300	4,379,407
Deferred tax effect on components of other comprehensive income	14	(279,432)	1,051,058
Other comprehensive income for the year net of tax		884,868	5,430,465
Total comprehensive income for the year		119,446,601	50,626,582

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 to 204 form an integral part of these financial statements.

Colombo
28th April 2022

STATEMENT OF FINANCIAL POSITION

As at 31st March 2022

Note 31.03.2022 31.03.2021
Rs. Rs.

ASSETS

Cash and cash equivalents	16	1,397,632,551	1,006,233,476
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	17	989,433,452	654,692,844
Financial assets at amortized cost - Loans and advance	18.8	14,729,182,119	10,198,262,863
Financial assets at amortized cost - Lease rentals receivable and hire purchase	18.7	1,084,117,530	2,212,534,894
Other assets	19	123,152,101	121,313,548
Income tax receivable	20	27,698,763	27,698,763
Advances, deposits and prepayments	21	104,518,028	152,407,430
Financial assets - Fair value through other comprehensive income / available for sale	22	506,659	506,659
Property, plant and equipment	23	184,377,810	156,436,176
Right-of-use assets	24	196,496,795	217,810,352
Investment property	25	359,055,285	376,158,647
Deferred tax assets	14.2	101,422,647	185,422,647
Intangible assets	26	44,194,279	40,951,790
Total assets		19,341,788,019	15,350,430,089

LIABILITIES

Financial liabilities - Due to banks	27	38,990,640	24,279,289
Other liabilities	28	80,227,359	40,308,402
Financial liabilities - Other borrowed funds	29	5,458,426,482	4,778,758,726
Lease liability	30	207,778,443	213,877,898
Due to customers	31	8,695,180,271	7,011,525,892
Debenture	32	2,072,877,339	1,029,465,109
Retirement benefit obligation	33	32,796,379	30,135,378
Total liabilities		16,586,276,913	13,128,350,694

As at 31st March 2022	Note	31.03.2022	31.03.2021
		Rs.	Rs.
EQUITY			
Stated capital	34	2,205,463,801	1,791,478,691
Retained earnings		464,777,293	351,303,022
Statutory reserve fund and other reserves	35	85,270,012	79,297,682
Total equity		2,755,511,106	2,222,079,395
Total equity and liabilities		19,341,788,019	15,350,430,089
Contingent liabilities and commitments	37	736,356,192	343,139,968
Net assets value per share		22.19	17.89

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 to 204 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



T. Perera
Director/Chairman Audit Committee

Colombo
28th April 2022
VR/dm

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st March 2022	Note	Ordinary Share capital	Preference Share capital	General reserve	Statutory reserve fund	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	
Balance as at 31st March, 2020		1,791,478,691	-	3,000,000	73,766,353	303,207,769	2,171,452,813
Total comprehensive income for the year							
Profit for the year		-	-	-	-	45,196,117	45,196,117
Other comprehensive expense (net of tax)		-	-	-	-	5,430,465	5,430,465
Total comprehensive income for the year		-	-	-	-	50,626,582	50,626,582
Transactions with equity holders recognized directly in equity							
Transfers to reserves		-	-	-	2,531,329	(2,531,329)	-
Total transactions with equity holders		-	-	-	2,531,329	48,095,253	50,626,582
Balance as at 31st March, 2021		1,791,478,691	-	3,000,000	76,297,682	351,303,022	2,222,079,395
Total comprehensive income for the year							
Profit for the year		-	-	-	-	118,561,733	118,561,733
Other comprehensive expense (net of tax)		-	-	-	-	884,868	884,868
Total comprehensive income for the year		-	-	-	-	119,446,601	119,446,601
Transactions with equity holders recognized directly in equity							
Proceeds from right issue of ordinary shares							
Proceeds from issue of preference shares	34.2	-	413,985,110	-	-	-	413,985,110
Transfers to reserves	35	-	-	-	5,972,330	(5,972,330)	-
Total transactions with equity holders		-	413,985,110	-	5,972,330	113,474,271	533,431,711
Balance as at 31st March, 2022		1,791,478,691	413,985,110	3,000,000	82,270,012	464,777,293	2,755,511,106

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 to 204 form an integral part of these financial statements.

Colombo
28th April 2022

STATEMENT OF CASH FLOWS

For the Year Ended 31st March 2022

	Note	2022/2021 Rs.	2020/2021 Rs.
Cash flows from operating activities			
Profit before income tax		202,282,301	86,747,175
Adjustments for			
Depreciation and amortization	23 & 26	72,580,622	51,276,593
Amortization of right-of-use asset	24	61,492,097	41,018,741
Interest expenses on lease liability	30	25,478,575	20,009,922
Impairment of lease, hire purchase, loans and advances	11	492,904,300	382,940,886
Early termination of loans, leases and hire purchase		(37,203,068)	(29,908,552)
Non-cash items included in profit before tax (WHT and Notional tax)		-	37,817
Gain on expiration of operating lease agreement during the year	8	(1,719,551)	-
Interest income on short-term investment		-	(18,852,915)
Gain on disposal of property, plant and equipment and investment property		(2,230,807)	(8,958,592)
Provision for retirement benefit liability	33	6,051,551	7,163,721
Interest expense on other borrowings	5	463,925,159	695,547,058
Interest expense on debentures		166,360,280	47,070,376
Cash generated from operations before working capital changes		1,449,921,459	1,274,092,230
Changes in working capital			
Decrease in lease rentals receivable and hire purchase		1,085,312,948	1,592,530,924
Increase in loans and advances		(4,947,566,069)	(1,716,824,690)
Increase in other receivables		(101,514,786)	(126,272,144)
(Increase)/decrease in deposits and prepayments		141,585,638	(95,894,459)
Increase in deposits from customers		1,681,493,888	428,451,679
Increase in other non-financial liabilities		41,310,965	63,144,462
Net cash from/(used in) operations		(649,455,957)	1,419,228,002
Taxes paid		-	-
Gratuity paid	33	(2,226,250)	(2,621,800)
Lease rent advance paid		-	(14,542,782)
Rent paid	30	(63,288,541)	(39,408,751)
Net cash generated from/(used in) operating activities		(714,970,748)	1,362,654,669
Cash flows from investing activities			
Acquisition of property, plant and equipment	23	(81,044,789)	(65,141,353)
Acquisition of intangible assets	26	(12,276,583)	(6,956,240)
Acquisition of investment property	25	-	(315,000)
Proceeds from sale of investment property		12,210,000	30,900,000

Statement of Cash Flows

For the Year Ended 31st March 2022

		2022/2021	2020/2021
	Note	Rs.	Rs.
Investments in short-term investments		-	(980,000,000)
Proceeds from short-term investments		-	998,852,915
Proceeds from sale of property, plant and equipment		730,795	3,578,913
Net cash used in investing activities		(80,380,577)	(19,080,765)
Cash flows from financing activities			
Repayment of other borrowed funds	29	(4,182,257,403)	(4,686,113,659)
Proceeds from other borrowed funds	29	4,398,000,000	2,683,000,000
Proceeds from debenture issue	32	992,025,770	982,394,733
Repayment of debenture		(114,973,820)	-
Proceed from preference share issue	34.2	413,985,110	-
Net cash generated from/(used in) financing activities		1,506,779,657	(1,020,718,926)
Net increase in cash and cash equivalents		711,428,332	322,854,978
Cash and cash equivalents at the beginning of the year	A	1,636,647,031	1,313,792,053
Cash and cash equivalents at the end of the year	B	2,348,075,363	1,636,647,031
At the beginning of the year			Note A
Cash and cash equivalents		1,006,233,476	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		654,692,844	860,630,696
Bank overdraft		(24,279,289)	(58,777,776)
		1,636,647,031	1,313,792,053
At the end of the year			Note B
Cash and cash equivalents		1,397,632,551	1,006,233,476
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		989,433,452	654,692,844
Bank overdraft		(38,990,640)	(24,279,289)
		2,348,075,363	1,636,647,031

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 to 204 form an integral part of these financial statements.

Colombo
28 April 2022

SIGNIFICANT ACCOUNTING POLICIES & 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 are located at No 76, Park Street, Colombo 03.

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 2022 is Muthoot Finance Limited which was incorporated in India.

1.4 Number of employees

The staff strength of the Company as at 31st March 2022 was 526 (427 as at 31st March 2021).

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

The Company has prepared the financial statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern.

The Company recorded strong improvement in profitability compared to the previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing of restrictions. The management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Company. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and hence has adopted the going concern basis in preparing and presenting these Financial Statements..

Significant Accounting Policies & Notes to the Financial Statements

2.3 Statement of compliance

The financial statements of the Company as at 31st March, 2022 and for the year then 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 are 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 the entity to utilize those cash flows 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 2022 (including comparatives) were approved and authorized for issue on 28th April 2022 in accordance with a resolution of the Board of Directors on 28th April 2022.

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 reflect 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 42 (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.

2.8 Functional and presentation currency

The financial statements have been presented in Sri Lankan Rupees (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 Lankan 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.

Impact of prevailing macroeconomic conditions and COVID-19

The prevailing macroeconomic conditions and COVID-19 and their related implications have increased the uncertainty of estimates made in the preparation of the Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the prevailing macroeconomic conditions and COVID-19 and the related actions of stakeholders such as government, businesses and customers.
- the extent and duration of the prevailing macroeconomic conditions due to impact on GDP, capital markets, credit risk of customers, impact of unemployment and possible decline in consumer discretionary spending.
- the effectiveness of Government and Central Bank measures that have been put in place in response to the prevailing circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to impairment of financial assets and recoverable amount assessments of non-financial assets, recoverable value of property, plant and equipment and investment properties. The impact of prevailing macroeconomic conditions and COVID-19 on accounting estimates is discussed under the relevant notes to these Financial Statements.

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.

Significant Accounting Policies & Notes to the Financial Statements

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.

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 due to the uncertainties that exist with respect to interpretation of the applicability of tax laws, at the time of 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. Judgment 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 33 to the financial statements.

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

The Company depreciates/amortizes the property plant and equipment, investment property and intangible assets 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, investment property and intangible assets. 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 Leases

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 amendments to Accounting Standards as set out below.

2.13.1 Changes to already existing accounting standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

Amendments to SLFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The Company has applied practical expedient for Covid-19 related rent concessions which have been extended up to June 2022.

2.13.2 New accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

The Company intends to adopt this amended standard and interpretation, if applicable, when it becomes effective.

Accounting Standard	Description	Effective Date
LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets	Amendment specifies the costs that an entity needs to include when assessing whether a contract is onerous or loss-making.	1 January 2022
LKAS 16 - Property, Plant and Equipment	Amendment prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item of property, plant and equipment.	1 January 2022
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.	1 January 2023
Annual improvements to SLFRS Standards 2018 – 2020	Annual improvements to SLFRS Standards	1 January 2022
Amendments to LKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to LKAS 1 and SLFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to LKAS 8	Definition of accounting estimates	1 January 2023

The assessment of the impact on the Company does not have material impact on the Financial Statements of the Company.

Significant Accounting Policies & Notes to the Financial Statements

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.

The 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 components 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 components) 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 the 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 the 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 the payments of principal and interest on the principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

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. (SOPF)

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 the payments of principal and interest on the principal amount outstanding.

Significant Accounting Policies & Notes to the Financial Statements

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 18.

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 resale 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 17.

3.1.3.3.3 *Cash and cash equivalents*

Details of “Cash and cash equivalents” are given in Note 16.

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 the payments of principal and interest on principal outstanding.

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 22.

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", "Other borrowings" or "Subordinated debts" 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

Details of "Due to banks" are given in Note 27.

3.1.4.2.2 Due to customers

Details of "Due to customers" are given in Note 31.

3.1.4.2.3 Other borrowed funds

Details of "Other borrowed funds" are given in Note 29.

3.1.4.2.4 Debentures

Details of "Debentures" are given in Note 32.

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.

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 are 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.

Significant Accounting Policies & Notes to the Financial Statements

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 43.

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 the 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 3.1.11.4 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.

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 undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company’s historical experience and expert credit assessment 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, deferment 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.

Significant Accounting Policies & Notes to the Financial Statements

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 COVID -19 Impact on Loan and advances

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 in line with the directions issued by the CBSL. Utilization of a payment deferral program does not, all else being equal, automatically trigger a SICR. As such, key issue will be to distinguish between cases where the payment holidays provide relief from short-term liquidity constraints impacting the borrower that do not amount to a SICR. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgment in the assessment of the impact of the COVID-19 outbreak on the loans and advances portfolio, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures including concessionary financing and payment moratorium.

The impact of the outbreak has been assessed and adjusted in these financial statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. In response to COVID-19 and expectations of economic impacts, key assumptions used in the calculation of ECL have been revised. As at the reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19.

Accordingly, the Company took steps to identify the customers showing distress signs in identifying SICR under the individual impairment assessment. Under the individual assessment, customers operating in risk elevated

industries including Tourism, supplying hardware items, printing and publishing, tobacco related business, passenger transport and electronic items were assessed individually in ECL model. In addition, as expert credit judgment, the stressed ECL parameters such as PDs and LGDs to reflect the real economic scenario that is not reflected due to the deferrals and concessions granted due to COVID-19. Early observations of payment behaviour of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

3.1.11.4 Definition of default and credit impaired assets

The company considers loans and advances to customers to 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.

3.1.11.5 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition 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.

3.1.11.6 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.

3.1.11.7 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. The weighted average LDGs are used and the weighted average LGD is determined by dividing the total loss for the year by the total exposure of settled defaults of each year.

3.1.11.8 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	Qualitative drivers of credit risk
GDP growth	Status of industry business
Unemployment rate	Regulatory impact
Interest rate (AWPLR)	Government policies
Rate of inflation	
Exchange rate	

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

Details of "Property, plant and equipment" are given in Note 23.

3.2.1 Depreciation

Details of "Depreciation" are given in Note 10.

3.3 Intangible assets

Details of "Intangible assets" are given in Note 26.

Amortisation recognised during the year in respect of intangible assets is included under the item of "Amortisation of intangible assets" under "Depreciation and amortization cost" in income statement. Refer Note 10.

Significant Accounting Policies & Notes to the Financial Statements

3.4 Investment property

Details of "Investment Property" are given in Note 25.

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.

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

Details of "Deferred tax assets" are given in Note 14.

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

Details of "Other assets" are given in Note 19.

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 income net of any reimbursement.

3.11 Leases

3.11.1 Right-Of-Use Assets – Company as a Lessee

Details of “Rights of use assets” are given in Note 24.

3.11.2 Lease Liability

Details of “Lease liability” are given in Note 30.

3.11.3 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 the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 18 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.

3.11.4 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

Details of “Retirement benefit obligation” are given on Note 33.

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 payable 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’.

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.

Significant Accounting Policies & Notes to the Financial Statements

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

Details of "Personnel expenses" are given in Note 9.

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 income 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 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.

3.20 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.

3.21 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 43 to the financial statements.

Significant Accounting Policies & Notes to the Financial Statements

4. INTEREST INCOME

ACCOUNTING POLICY

Income is recognised 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 income, given under the respective income notes. For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial instrument or a shorter period, where appropriate, to the net carrying amount of the Financial asset or financial liability.

Interest on Overdue Rentals

Interests from overdue rentals have been accounted for on a cash basis.

Recognition of moratorium interest income for credit facilities under moratoriums

The Company recognises the moratorium interest income on the concessionary rate for the moratorium period.

Recovery of written-off debts/disposal losses

Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis.

	2021/2022	2020/2021
	Rs.	Rs.
Interest on Leases	235,089,142	730,671,271
Interest on hire purchase	11,572	-
Interest on loans	445,976,453	704,912,705
Overdue interest	147,807,893	168,464,889
Recovery of Writen off Contracts	30,525,472	66,145,244
Interest income on early terminated contracts	37,203,068	28,094,149
Interest on treasury bills in reverse repurchase agreements	62,428,974	41,466,484
Interest on bank deposits	88,085,738	48,171,828
Interest on gold loans	1,528,952,298	937,121,057
	2,576,080,610	2,725,047,627

5. INTEREST EXPENSES

ACCOUNTING POLICY

Under SLFRS 9, interest income and Interest expense are recorded using the Effective Interest Rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively. Revenue can be recognized only when it is probable that the economic benefit associate with the transaction will flow to the entity.

		2021/2022	2020/2021
		Rs.	Rs.
Interest on fixed deposits	Due to customers	668,472,279	696,842,484
Interest on other borrowings	Due to banks	406,329,306	612,556,658
Interest on right of use asset-leased liability	Lease Liabilities	25,478,575	20,009,922
Interest on Debenture	Due to securities issued	166,360,280	47,070,376
Interest on Bank Loans	Due to securities issued	57,595,851	85,883,416
		1,324,236,291	1,462,362,856

6. NET INTEREST INCOME

ACCOUNTING POLICY

Net interest margin is the difference between the interest income generated and the amount of interest paid out to lenders. A positive net interest margin indicates efficiently investing.

	2021/2022	2020/2021
	Rs.	Rs.
Interest income	2,576,080,610	2,725,047,627
Interest expenses	1,324,236,291	1,462,362,856
	1,251,844,319	1,262,684,771

Significant Accounting Policies & Notes to the Financial Statements

7. FEES AND COMMISSION INCOME

ACCOUNTING POLICY

The Company earns fee and commission income from a diverse range of services it provides 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.

	2021/2022	2020/2021
	Rs.	Rs.
Documentation charges and service charges	583,615,531	189,228,734
Insurance commission income	7,951,498	24,236,945
	591,567,029	213,465,679

8. OTHER OPERATING INCOME

ACCOUNTING POLICY

Other Operating income includes income earned on other sources, which are not directly related to the normal operations of the company and is recognized on cash basis.

	2021/2022	2020/2021
	Rs.	Rs.
Gains from disposal of property, plant and equipment,	-	1,893,053
Gains from investment property and real estate inventories	3,210,240	7,065,539
Dividend income	240,000	320,000
Sundry income	6,613,153	5,757,169
Gain from Foreign Currency- Saving	3,282,299	721,584
Rent income from investment property	-	543,950
Gain on expiration of operating lease agreements	1,719,551	-
	15,065,243	16,301,295

9. PERSONNEL EXPENSES

ACCOUNTING POLICY

Personnel expenses include salaries, 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) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - Employee Benefits.

	2021/2022	2020/2021
	Rs.	Rs.
Directors' remuneration	17,063,000	14,732,000
Salaries and bonus	204,896,843	182,992,514
Defined contribution plan costs - EPF and ETF	27,126,024	27,148,707
Other staff related expenses	78,182,215	44,055,828
Provision for staff retirement benefits	6,051,551	7,163,721
	333,319,633	276,092,770

10. DEPRECIATION AND AMORTIZATION COST

ACCOUNTING POLICY

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement.

The estimated useful lives are as follows;

Building	8 years
Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles	6.5 years
Computer hardware	6 years
Investment Property Buidling	15 years

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 23.

Depreciation on right of use asset

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.

	2021/2022	2020/2021
	Rs.	Rs.
Depreciation of property, plant and equipment and investment property	59,369,439	45,051,804
Depreciation of right-of-use assets	61,492,096	41,018,741
Amortisation of computer software	7,791,255	6,224,790
	128,652,790	92,295,335

Significant Accounting Policies & Notes to the Financial Statements

11. IMPAIRMENT CHARGE FOR LEASE RENTALS RECEIVABLE, HIRE PURCHASE, LOANS AND ADVANCES

ACCOUNTING POLICY

The Company recognises the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - Financial Instruments. The methodology adopted by the Company in determining the same is explained in Note 18 to these financial statements.

	Note	2021/2022 Rs.	2020/2021 Rs.
Individual impairment expense	11.1	123,609,061	741,873,808
Collective impairment expense	11.1	369,295,240	(358,932,922)
		492,904,301	382,940,886

11.1 Impairment Charges/Reversal Product wise breakup

	2021/2022 Rs.	2020/2021 Rs.
Lease rentals receivables	27,564,121	(2,105,416)
Hire purchases	904,401	(10,330,452)
Mortgage loans	12,520,723	8,873,492
Pledge loans	4,028	-
Personal and corporate loans	419,640,674	241,821,931
Group personal loans	(157,250,869)	48,017,704
Micro finance loans	182,366,821	56,181,196
Sale and lease back loans	1,000,000	-
Project financing loan	(89,188,808)	27,366,526
Gold loan	95,343,208	13,115,905
	492,904,299	382,940,886

12. OPERATING PROFIT BEFORE VALUE ADDED TAX ON FINANCIAL SERVICES

EXPENDITURE RECOGNITION

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement. For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

Operating profit before value added tax on financial services

Operating profit before value added tax on financial services is stated after charging all expenses including the following;

	Note	2021/2022 Rs.	2020/2021 Rs.
Depreciation and amortization		67,160,695	51,276,594
Depreciation on right of use asset		61,492,097	41,018,741
Auditors' remuneration - external audit current year		2,165,000	2,031,700
- Non-audit		1,649,195	2,009,000
Advertising and business promotion		106,957,115	31,879,573
Professional and legal fees		14,128,298	16,081,026
Operational expenses on investment property		1,334,520	956,475
Penalty charges imposed by the regulator	12.1	10,000,000	-

12.1. penalty charges imposed by the regulator

Asia Asset Finance PLC has paid a fine of Rs. 10Mn for not being compliant with the section 25(1) of (a) of Finance Business Act, Direction No 01 of 2016 (Opening , closure and relocation of business places) and Direction No 06 of 2020 (Business expansion and operations) when opening new Branches. Subsequently, all branch openings were approved along with the approval for the 2022 business plan.

13. VAT ON FINANCIAL SERVICES

ACCOUNTING POLICY

VAT on Financial services is calculated in accordance with Value Added Tax(VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non cash benefits including terminal benefits. VAT on Financial services rate applied for the nine months period ended 31st December 2021 was 15% and with effect from January 2022 the rate has been increased to 18% in accordance with subsection (3).

	2021/2022 Rs.	2020/2021 Rs.
VAT on financial services	36,500,000	45,100,000
	36,500,000	45,100,000

Significant Accounting Policies & Notes to the Financial Statements

14. INCOME TAX EXPENSES

ACCOUNTING POLICY

The effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on “Income Taxes”. As per Sri Lanka Accounting Standard LKAS 12 “Income Taxes”, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustment to tax payable in respect of previous year. 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,

Major components of income tax expense for the year ended 31st March are as follows:

Statement of profit or loss

	Note	2021/2022 Rs.	2020/2021 Rs.
Current income tax charge	14.1		
Deferred tax			
Deferred tax expenses		83,720,568	41,551,058
Total income tax expense reported in the income statement		83,720,568	41,551,058
Statement of other comprehensive income			
Deferred tax			
Deferred tax expense		279,432	1,051,058
Total income tax expenses reported in the other comprehensive income		279,432	1,051,058
Current year net effect to the Income statement		84,000,000	42,602,116

14.1 Reconciliation of accounting profit and taxable income

	Note	2021/2022	2020/2021
		Rs.	Rs.
Accounting profit (profit before income tax)		202,282,301	86,747,176
Add : Disallowable expenses		708,835,125	548,550,814
Less : Allowable expenses		(862,791,247)	(614,650,323)
Less : Exempt income		(42,204,918)	(39,414,135)
Add : Adjusted business loss/(profit) from leasing business		122,772,540	33,734,362
Statutory income / (loss)		128,893,801	14,967,894
Tax loss brought forward and utilized		(128,893,803)	(14,967,894)
Taxable income / (loss)		-	-
Income tax expense		-	-
Effective income tax rate		24%	24%

Deferred tax assets

ACCOUNTING POLICY

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except for the following:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

	Note	31.03.2022	31.03.2021
		Rs.	Rs.
Recognized under assets	14.2	135,556,677	225,034,806
Recognized under liabilities	14.2	(34,134,030)	(39,612,159)
Deferred tax (liability)/Asset balance		101,422,647	185,422,647

Significant Accounting Policies & Notes to the Financial Statements

14.2 Deferred tax assets and liabilities relate to the following:

	Note	2021/2022 Rs.	2020/2021 Rs.
Deferred tax liability		(16,542,204)	(22,235,694)
Lease rental receivable		(17,591,826)	(16,432,676)
Property, plant and equipment		-	(943,789)
Right-of-use asset		(34,134,030)	(39,612,158)
Deferred tax assets			
Retirement benefit obligation		7,871,131	7,232,491
Carried forward tax loss and unused tax credit	14.2.1	76,203,007	157,647,568
Transitional adjustment		42,935,265	57,247,021
Right-of-use asset		2,707,596	-
Provision for impairment of loans and receivables		5,839,678	2,907,727
		135,556,677	225,034,806
Net deferred tax asset		101,422,647	185,422,647

14.2.1 On a prudent basis the management has decided to evaluate the recoverability of this claim based on the projected taxable profits for the next 3 years and expects to recover Rs. 317,512,530/- over such period and a deferred tax asset of Rs.76,203,007/- was recognised during the year. The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

Deferred tax has been determined based on the effective tax rate of 24%.

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 3 years time as recommended by IR Act No. 24 of 2017.

15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING POLICY

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 'Financial Instruments' under the headings of the Statement of Financial Position.

As at 31st March 2022

	FVTOCI	Amortised cost	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	-	1,397,632,551	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	-	989,433,452	989,433,452
Loans and advances at amortized cost	-	14,729,182,119	14,729,182,119
Lease rentals receivable and hire purchase at amortized cost	-	1,084,117,530	1,084,117,530
Financial assets - fair value through OCI	506,659	-	506,659
Total financial assets	506,659	18,200,365,652	18,200,872,311

	Financial liabilities at amortised cost	Total
	Rs.	Rs.
Liabilities		
Due to customers	8,695,180,271	8,695,180,271
Debenture	2,072,877,339	2,072,877,339
Due to banks	38,990,640	38,990,640
Other borrowed funds	5,458,426,482	5,458,426,482
Total financial liabilities	16,265,474,732	16,265,474,732

As at 31st March 2021

	FVTOCI	Amortised cost	Total
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	-	1,006,233,476	1,006,233,476
Investment in reverse repurchase agreements against treasury bills and bonds	-	654,692,844	654,692,844
Loans and advances at amortized cost	-	10,198,262,863	10,198,262,863
Lease rentals receivable and hire purchase at amortized cost	-	2,212,534,894	2,212,534,894
Financial assets - fair value through OCI	506,659	-	506,659
Total financial assets	506,659	14,071,724,077	14,072,230,736

Significant Accounting Policies & Notes to the Financial Statements

	Financial liabilities at amortised cost	Total
	Rs.	Rs.
Financial liabilities		
Due to customers	7,011,525,892	7,011,525,892
Debenture	1,029,465,109	1,029,465,109
Due to banks	24,279,289	24,279,289
Other borrowed funds	4,778,758,726	4,778,758,726
Total financial liabilities	12,844,029,016	12,844,029,016

FVTOCI - Fair value through other comprehensive income

FVTPL - Fair value through profit or loss

16. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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 financial statements at their face values or the gross values, where appropriate.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	31.03.2022	31.03.2021
	Rs.	Rs.
Cash in hand	75,887,122	79,452,195
Cheque in hand	11,430,400	12,416,189
Current Accounts with banks	34,682,797	44,347,401
Saving Accounts with Banks	960,758,915	635,861,825
Saving Accounts with Banks in Foreign currency	10,539,049	7,100,988
Short term Investment	304,334,268	227,054,877
	1,397,632,551	1,006,233,476

17. INVESTMENT IN REVERSE REPURCHASE AGREEMENTS AGAINST TREASURY BILLS AND BONDS

ACCOUNTING POLICY

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as alone by the company. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

	31.03.2022	31.03.2021
	Rs.	Rs.
Reverse repurchase agreements against treasury bills and bonds	989,433,452	654,692,844
	989,433,452	654,692,844

18. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

ACCOUNTING POLICY

Loans and receivables' are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in 'impairment charges for loans and receivables and other losses'.

Leasing

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

Gold Loans

Gold loan is a secured loan taken by the borrower from a lender by pledging their gold articles (within a range of 18-24 carats) as collateral. The loan amount provided is a certain percentage of the gold, , based on the current market value and quality of gold.

Restructured Loans and Receivables

The Company seeks to restructure loans and receivables with additional collateral when client meet payments on timely manner. This may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The receivable continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortised cost using original EIR and subject to an individual or collective impairment assessment.

Significant Accounting Policies & Notes to the Financial Statements

18.1 Leases, Hire purchases, Loans and advances - Analysis by product

	Note	31.03.2022 Rs.	31.03.2021 Rs.
Gross loans and advances		17,345,012,641	14,033,995,103
Less: Provision for impairment -Collective	18.1	(555,065,479)	(418,356,995)
Less: Provision for impairment -Individual	18.2	(944,882,357)	(1,173,075,194)
Less: Provision for impairment NIM	18.3	(31,765,157)	(31,765,157)
Net lease, hire purchases, loans and advances		15,813,299,648	12,410,797,757
		31.03.2022 Rs.	31.03.2021 Rs.
Lease rentals receivables		1,256,149,473	2,414,730,953
Hirepurchases		1,193,001	29,626,496
Mortgage loans		1,444,338,182	1,559,124,295
Pledge loans		105,279,648	135,919,742
Personal and corporate loans		1,719,221,402	1,877,957,217
Group personal loans		379,457,897	474,447,574
Cheque and invoice discounting		-	12,445,717
Micro finance loans		747,404,666	761,279,714
Sale and lease back loans		1,000,001	1,000,001
Project financing loan		4,120,150	144,966,622
Gold loan		11,686,848,221	6,622,496,772
		17,345,012,641	14,033,995,103

18.2 Impairment Provisions - Analysis by product

	31.03.2022	31.03.2021
	Rs.	Rs.
Lease rentals receivables	157,195,641	216,986,253
Hirepurchases	1,193,001	21,366,576
Mortgage loans	125,494,317	112,973,594
Pledge loans	4,028	
Personal and corporate loans	790,916,165	499,518,897
Group personal loans	101,630,173	277,125,239
Micro finance loans	271,437,796	150,910,579
Sale and lease back loans	1,000,000	
Project financing loan	3,930,278	251,645,811
Gold loan	47,146,436	60,905,240
	1,499,947,835	1,591,432,189

18.3 Net Interest Analysis by product

	31.03.2022	31.03.2021
	Rs.	Rs.
Lease rentals receivables	14,836,302	14,836,302
Mortgage loans	7,708,361	7,708,361
Personal and corporate loans	4,012,749	4,012,749
Group personal loans	2,472,315	2,472,315
Micro finance loans	2,735,430	2,735,430
Gold loan	31,765,157	31,765,157

18.4 Impairment charge to the income statement

	31.03.2022	31.03.2021
	Rs.	Rs.
Loans and advances to customers		
Stage 1	(63,059,492)	(3,006,746)
Stage 2	127,581,256	(36,786,400)
Stage 3	428,382,536	422,734,032
Total	492,904,300	382,940,886

Significant Accounting Policies & Notes to the Financial Statements

18.5 Leases, Hire purchases, Loans and advances - Product Analysis by Stagewise

	31.03.2022				31.03.2021			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Leases, Hire purchases	765,857,115	177,204,900	314,280,459	1,257,342,474	2,047,968,605	63,409,092	332,979,753	2,444,357,449
Loans and advances	10,021,766,408	1,221,280,250	4,844,623,509	16,087,670,167	7,096,003,282	717,054,715	3,776,579,656	11,589,637,654
	10,787,623,523	1,398,485,150	5,158,903,968	17,345,012,641	9,143,971,887	780,463,807	4,109,559,409	14,033,995,103

18.6 Leases, Hire purchase and Loans and Advances Movement in provision for impairment during the year (Under SLFRS 9)

	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	151,051,434	24,563,202	1,415,817,553	1,591,432,189	154,058,180	61,349,602	979,850,268	1,195,258,050
Charge/(write back) to the income statement	(63,059,492)	127,581,256	428,382,536	492,904,300	(3,006,746)	(36,786,400)	422,734,032	382,940,886
Other Adjustments / (Write Off) During the year			(584,388,654)	(584,388,654)			13,233,253	13,233,253
Balance at the end of the year	87,991,942	152,144,457	1,259,811,436	1,499,947,835	151,051,434	24,563,202	1,415,817,553	1,591,432,189

18.7 FINANCIAL ASSETS AT AMORTISED COST – LEASE RENTALS RECEIVABLE AND HIRE PURCHASE

	31.03.2022				31.03.2021			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross lease rental receivables and hire purchase	765,857,115	177,204,900	314,280,459	1,257,342,474	2,047,968,605	63,409,092	332,979,753	2,444,357,449
Less: Provision for impairment	(8,566,631)	(16,026,905)	(133,795,106)	(158,388,642)	(20,657,455)	(4,257,410)	(192,071,388)	(216,986,253)
Less: Provision Net Interest Marging	(14,836,302)			(14,836,302)	(14,836,302)			(14,836,302)
Net lease rentals receivable and hire purchase	742,454,181	161,177,995	180,485,353	1,084,117,530	2,012,474,847	59,151,682	140,908,365	2,212,534,894

18.7 .1 Movement in provision for impairment during the year (Under SLFRS 9)

	31.03.2022				31.03.2021			
	Rs.				Rs.			
	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	20,657,455	4,257,410	192,071,388	216,986,253	95,808,518	32,169,730	160,346,489	288,324,737
Charge/(write back) to the income statement	(12,090,824)	11,769,496	29,078,450	28,757,122	(75,151,063)	(27,912,320)	31,099,899	(71,963,484)
Other Adjustments / (Write Off) During the year			(87,354,733)	(87,354,733)			625,000	625,000
Balance at the end of the year	8,566,631	16,026,905	133,795,106	158,388,642	20,657,455	4,257,410	192,071,388	216,986,253

18.7.2 Lease rentals receivable and hire purchase

	Note	31.03.2022	31.03.2021
		Rs.	Rs.
Lease rentals receivables	18.7.3	1,084,117,530	2,204,274,974
Hire purchases	18.7.4	-	8,259,920
		1,084,117,530	2,212,534,894

18.7.3 Lease rentals receivables

	31.03.2022	31.03.2021
	Rs.	Rs.
Gross rentals receivable	1,369,603,215	2,694,068,164
Less: Unearned income	(135,046,914)	(369,939,895)
Pre-paid rentals	(1,109,558)	(1,488,469)
Lease capitalized charges	22,702,730	92,091,153
Less: Net Interest Margin	(14,836,302)	(14,836,302)
Less: Allowance for impairment losses	(157,195,641)	(195,619,677)
	1,084,117,530	2,204,274,974

Significant Accounting Policies & Notes to the Financial Statements

18.7.4 Hire purchase receivables

	31.03.2022	31.03.2021
	Rs.	Rs.
Gross rentals receivable	1,193,001	29,626,496
Less: Unearned income	-	-
Pre-paid rentals	-	-
Provision for Impairment losses	(1,193,001)	(21,366,576)
	-	8,259,920

18.7.5 Age analysis of lease and hire purchase

18.7.5.1 Lease and hire purchase receivable not later than 1 year

	31.03.2022	31.03.2021
	Rs.	Rs.
Gross rentals receivable	490,952,424	414,150,544
Less: Unearned income	(21,917,993)	(7,365,976)
Pre-paid rentals	(89,712)	(1,488,469)
Lease capitalized charges	2,208,193	22,308,097
Provision for impairment losses	(56,565,510)	(91,035,991)
Net Interest Margin	(14,836,302)	(14,836,302)
	399,751,100	321,731,904

18.7.5.2 Lease and hire purchase receivable later than 1 year and not later than 5 years

	31.03.2022	31.03.2021
	Rs.	Rs.
Gross rentals receivable	879,843,793	2,309,544,116
Less: Unearned income	(113,128,921)	(362,573,919)
Pre-paid rentals	(1,019,846)	-
Lease capitalized charges	20,494,536	69,783,055
Allowance for impairment losses	(101,823,132)	(125,950,262)
	684,366,430	1,890,802,990

18.8 FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

	31.03.2022				31.03.2021			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross Loans and advances receivables	10,021,766,408	1,221,280,250	1,223,746,165	16,087,670,167	7,096,003,282	717,054,715	3,776,579,656	11,589,637,654
Less: Provision for impairment	79,425,311	136,117,552	1,126,016,330	1,341,559,193	130,393,979	20,305,792	1,223,746,165	1,374,445,936
Less: Provision Net Interest Margin	16,928,855			16,928,855	16,928,855			16,928,855
Net Loans and advances receivables	9,925,412,242	1,085,162,698	3,718,607,179	14,729,182,119	6,948,680,448	696,748,923	2,552,833,491	10,198,262,863

18.8.1 Movement in provision for impairment during the year (Under SLFRS 9)

	31.03.2022				31.03.2021			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	130,393,979	20,305,792	1,223,746,165	1,374,445,936	58,249,662	29,179,872	819,503,779	906,933,313
Charge/(write back) to the income statement	(50,968,668)	115,811,760	399,304,086	464,147,178	72,144,317	(8,874,080)	391,634,133	454,904,370
Other Adjustments / (Write Off) During the year			(497,033,921)	(497,033,921)			12,608,253	12,608,253
Balance at the end of the year	79,425,311	136,117,552	1,126,016,330	1,341,559,193	130,393,979	20,305,792	1,223,746,165	1,374,445,936

18.8.2 Impairment charge to the Income Statement

	31.03.2022	31.03.2021
	Rs.	Rs.
Loans and advances to customers		
Stage 1	(50,968,668)	72,144,317
Stage 2	115,811,760	(8,874,080)
Stage 3	399,304,086	391,634,133
Total	464,147,178	454,904,370

Significant Accounting Policies & Notes to the Financial Statements

19. OTHER ASSETS

ACCOUNTING POLICY

The Company classifies all their other assets as other financial assets and other non financial assets. Other non financial assets mainly comprises of advance payments, VAT recoverable, and sundry receivables.

Deferred Expenses

Costs of acquiring new businesses including commission, marketing expenses which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition all the other expenses are deferred.

	31.03.2022	31.03.2021
	Rs.	Rs.
Other Assets	123,152,101	121,313,548
	123,152,103	121,313,548

20. INCOME TAX RECEIVABLE

	31.03.2022	31.03.2021
	Rs.	Rs.
Balance at the beginning of the year	27,698,763	27,736,580
Income tax expense for the year	-	-
	27,698,763	27,736,580
Income tax paid		
Add: Tax credits		
WHT and notional tax	-	(37,817)
Balance at the end of the year	27,698,763	27,698,763

21. ADVANCES, DEPOSITS AND PREPAYMENTS

ACCOUNTING POLICY

Advance payments are carried at historical cost.

	31.03.2022	31.03.2021
	Rs.	Rs.
Advance and Prepayments	14,491,178	18,999,133
Refundable Deposits	19,917,100	24,071,605
Tax Receivable	-	6,354,799
Other Receivables	70,109,750	102,981,893
	104,518,028	152,407,430

22. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2022		31.03.2021	
	Number of shares	Directors' valuation* Rs.	Number of shares	Directors' valuation* Rs.
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/- (2021 - Rs.506,659/-).

Significant Accounting Policies & Notes to the Financial Statements

23. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

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.

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.

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.

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.

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.

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.

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.

ACCOUNTING POLICY CONTD.

The estimated useful lives are as follows;

Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles	6.5 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.

Gross carrying amounts

	Balance as at 01.04.2021	Additions	Disposals/ transfers	Impairment for the year	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Cost					
Freehold assets					
Plant	25,930,613	-	-	(5,419,927)	20,510,686
Motor vehicle	59,999,561	10,125,000	(1,655,020)		68,469,541
Office equipment	206,555,937	43,181,389	(7,800)		249,729,526
Computers	57,677,379	24,671,428	-		82,348,807
Furniture and fittings	33,341,615	7,116,973	-		40,458,588
	383,505,105	85,094,790	(1,662,820)	(5,419,927)	461,517,148

Accumulated depreciation

	Balance as at 01.04.2021	Additions	Disposals/ transfers	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Plant	17,278,218	3,232,468	-	20,510,686
Motor vehicle	48,199,858	4,346,715	(1,195,668)	51,350,905
Office equipment	106,959,873	30,903,000	-	137,862,873
Computers	33,819,804	8,892,777	-	42,712,581
Furniture and fittings	20,811,176	3,891,117	-	24,702,293
	227,068,929	51,266,077	(1,195,668)	277,139,338

Significant Accounting Policies & Notes to the Financial Statements

Net book value

	31.03.2022	31.03.2021
	Rs.	Rs.
Plant	-	8,652,395
Motor vehicle	17,118,636	11,799,703
Office equipment	111,866,653	99,596,064
Computers	39,636,226	23,857,575
Furniture and fittings	15,756,295	12,530,439
	184,377,810	156,436,176

23.1 During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs.85,094,790/- (2021 - Rs.65,151,353/-). Cash payments amounting to Rs.81, 044,789/- (2021 -Rs.65,151,353/-) was paid during the year for the purchases of property, plant and equipment.

23.2 Property, plant and equipment include fully depreciated assets having a gross carrying amount of Rs. 69,648,768.07- (2021- Rs. 43,962,104/-).

23.3 Temporarily idle property, plant and equipment

There were no property, plant and equipment idling as at 31st March, 2022 and 31st March, 2021.

23.4 Title restriction on property, plant and equipment

There was no restriction on the title of property, plant and equipment as at 31st March, 2022 and 31st March, 2021.

23.5 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,2022 and 31st March, 2021.

23.6 Impairment of Plant

During the year company has done impairment testing for the Plant as a resulted of impairment testing it was recorded LKR 5,419,927 / as impairment loss

23.7 Borrowing Costs

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the financial year 2022 and 2021.

24. RIGHT-OF-USE ASSET ON LEASE

ACCOUNTING POLICY

Basis of recognition

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

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.

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.

De-recognition/ Termination

Right-of-use assets are derecognized on termination of the agreement with the lessor or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is recognised in 'Other operating income' in the statement of income in the year the asset is de-recognized.

	31.03.2022	31.03.2021
	Rs.	Rs.
Cost		
Balance at the beginning of the year	288,006,699	166,388,062
Additions / renewal operating lease during the year	42,020,478	121,618,637
Capitalized from Advance during the year	5,980,000	-
Expiration of operating lease agreement during the year	(7,821,939)	-
Balance at the end of the year	328,185,238	288,006,699
Accumulated amortization		
Balance at the beginning of the year	70,196,346	29,177,605
Amortization for the year	61,492,097	41,018,741
Balance at the end of the year	131,688,443	70,196,346
Net book value	196,496,795	217,810,352

Significant Accounting Policies & Notes to the Financial Statements

25. INVESTMENT PROPERTY

ACCOUNTING POLICY

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.

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.

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.

The estimated useful life of the buildings is assessed as 15 years

	31.03.2022	31.03.2021
	Rs.	Rs.
Cost		
Balance at the beginning of the year	376,158,647	399,678,109
Acquisitions during the year	-	315,000
Disposals during the year	(9,000,000)	(23,834,462)
Balance at the end of the year	367,158,647	376,158,647
Accumulated Depreciation for Investment property building		
Balance at the beginning of the year		-
Charge for the year	8,103,362	
Balance at the end of the year	8,103,362	-
Net book value	359,055,285	376,158,647

Fair value of the investment property for the purpose of disclosure in note 25.4 was ascertained by valuations carried out by independent valuers as required by LKAS 40.

25.1 Direct operational expenses recognised in respect to the above investment property is disclosed in Note 8.

25.2 Rent income recognised in respect to the above investment property is disclosed in Note 11.

25.3 Advance Received for Investment Property

	31.03.2022	31.03.2021
	Rs.	Rs.
Sandiyakalikuda & Mundalamakadu of Puttalam Rd, Mundalama.	1,000,000	-
No:723/53, "Lake Terrace" Jayasinghe Mawatha, Korathota Road, Athurugiriya.	1,063,000	1,063,000
	2,063,000	1,063,000

Significant Accounting Policies & Notes to the Financial Statements

25.4 Fair value of the investment property

Location of the land	Valuer's name and report date	Total extent	31.03.2022		31.03.2021	
			Fair value	Cost	Fair value	Cost
			Rs.	Rs.	Rs.	Rs.
Lot 05, Dangahahena Land, Anamaduwa Road, Andigama.	D. Jayawardene (Incorporated Valuer) - valuation report dated 17th March, 2020.	0a-0R-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.	0A-01R-12.30P	48,700,000	12,453,317	48,700,000	12,453,317
Manipay Land (No 55 Nachchimar Kovil Road, Manipay).	V. Selvanayakam AIV (Incorporated Valuer) - valuation report dated 08th April, 2019.	02R-10P (02655 Ha)	-	-	13,000,000	9,000,000
No;21,14th Lane,I.Jothipala Mawatha,Malabe.	D. Jayawardene (Incorporated Valuer) - valuation report dated 14th March, 2020.	0A-0R-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	15,064,221
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, 2022.	0A-01R-35.00 P (0.1897 Ha)	47,000,000	46,344,684	52,500,000	46,344,684
Sandiyakalikuda & Mundalamakadu of Puttalam Rd, Mundalama.	D. Jayawardene (Incorporated Valuer) - valuation report dated 14th March, 2020.	05A-03R-01P	50,400,000	35,300,000	50,400,000	35,300,000
Karukottiheevu, Thamputtai 02, Akkaraipattu.	D. Jayawardene (Incorporated Valuer) - valuation report dated 14th March, 2020.	10A-01R-05P (4.1602 Ha)	115,000,000	95,236,734	115,000,000	95,236,734

Location of the land	Valuer's name and report date	Total extent	31.03.2022		31.03.2021	
			Fair value	Cost	Fair value	Cost
			Rs.	Rs.	Rs.	Rs.
Galapitamillahena, Polarambegama, Kegalle.	D. Jayawardene (Incorporated Valuer) - valuation report dated 25th March, 2020.	03A-02R-21.00P (1.4693 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 July, 2019.	01A-0R-11.80 P (0.04346 Ha)	10,100,000	5,255,135	10,100,000	5,255,135
Lot No;153B in Plan no;4813/99 at Udangawa, Ambanpola.	D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April, 2021.	(0.325 Ha)	13,000,000	12,103,872	13,000,000	12,103,872
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 05th April, 2021.	23.52 P	7,500,000	6,016,123	7,500,000	6,016,123
Kopiwatta" Lot No:A, Plowatta Road, Minuwangoda.	D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April, 2021.	01A-0R-01.49P (0.4085 Ha.)	55,000,000	55,892,177	55,000,000	55,892,177
			530,200,000	367,158,647	548,700,000	376,158,647

Significant Accounting Policies & Notes to the Financial Statements

25.5 Movement of Investment Property

	Opening Balance	Additions	Disposals	Closing Balance
	Rs.	Rs.	Rs.	Rs.
Cost	376,158,647	-	(9,000,000)	367,158,647
Accumulated Depreciation	-	(8,103,362)	-	(8,103,362)
	376,158,647	(8,103,362)	(9,000,000)	359,055,285

Investment Properties includes bare lands acquired by the company from clients who defaulted on accommodations granted and purchased properties. These properties are held by the Company for capital appreciation and rental purposes.

Changes in fair values are recognised as gains in profit or loss and included in 'Net other operating income'.

25.6 Measurement of fair values

25.6.1 Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio three years and the latest valuation was done on 31 March 2022 to March 2019. The fair value has been determined based on valuation performed by Mr. D. Jayawardene, Incorporated Valuer, B. Sc. Estate Mgt. & Valuation (Special) A.I.V. (Sri Lanka) except Manipay Land (No 55 Nachchimar Kovil Road, Manipay) which fair value has been performed by the V.Selvanayakam FIV (Sri Lanka) Dip in Agriculture (Sri Lanka).

25.6.2 Valuation technique

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

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.400,000 to Rs.10,000,000 in the Colombo area and Rs.28,000 to Rs.400,000 outside the Colombo area	The estimated fair value would increase (decrease) if: Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used.	The estimated fair value would increase (decrease) if: Depreciation rate was lesser / (higher) Square feet value was higher/(lesser)

26. INTANGIBLE ASSETS

ACCOUNTING POLICY

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

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.

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.

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. Indefinite-lived intangible assets are not amortised, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Only finite-lived intangible asset is computer software of the company. There is no indefinite-lived intangible assets which are subject to annual impairment test. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The Group assumes that there is no residual value for its intangible assets"

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

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.

There were no restrictions on the title of the intangible assets as at the reporting date. Further there were no items pledged as securities for liabilities

Significant Accounting Policies & Notes to the Financial Statements

Gross carrying amounts

	Balance as at 01.04.2021	Additions	Disposals/ transfers	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Cost				
Intangible Asset	55,064,066	12,276,583	(3,099,906)	64,240,743
	55,064,066	12,276,583	(3,099,906)	64,240,743

Amortisation

	Balance as at 01.04.2021	Charge for the year	Disposals/ transfers	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Intangible asset	14,112,277	7,791,255	(1,857,068)	20,046,464
	14,112,277	7,791,255	1,857,068	20,046,464

Net book value

	31.03.2022	31.03.2021
	Rs.	Rs.
Intangible asset	44,194,279	40,951,790
	44,194,279	40,951,790

27. DUE TO BANKS

ACCOUNTING POLICY

Due to banks include bank overdrafts and 'interest expenses' in the Statement of Profit or Loss.

	31.03.2022	31.03.2021
	Rs.	Rs.
Due to banks - bank overdrafts	38,990,640	24,279,289
	38,990,640	24,279,289

28. OTHER LIABILITIES

ACCOUNTING POLICY

Other liabilities include, VAT on Financial Services payable, Tax payable, accrued expenses payable, dividend payable and other amount payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

	31.03.2022	31.03.2021
	Rs.	Rs.
VAT on FS Payable	19,219,220	4,469,220
Customer Related Payable	11,323,850	11,316,985
Tax Payable	814,949	482,335
Accrued expenses	38,189,711	9,023,388
Dividend Payable	295,240	295,240
Other Payable	10,384,389	14,721,233
	80,227,359	40,308,402

29. FINANCIAL LIABILITIES - OTHER BORROWED FUNDS

ACCOUNTING POLICY

Other borrowed funds include other long-term and short term loans obtained from banks and Financial Institutions. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR 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 Income. Gains and losses are recognised in the Statement of Income when the liabilities are de-recognised as well as through the EIR amortisation process.

	Note	31.03.2022	31.03.2021
		Rs.	Rs.
Securitized borrowings	29.1	3,863,981,300	4,323,450,984
Bank loans	29.2	1,594,445,182	455,307,742
		5,458,426,482	4,778,758,726

Significant Accounting Policies & Notes to the Financial Statements

29.1 Securitized borrowings

	As at 01.04.2021	Loans obtained	Interest for the period	Repayments	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Securitization Loan 22 - HNB Bank Trust	280,989,622	-	23,077,534	(304,067,157)	-
Securitization Loan 24 - NSB Trust	127,023,473	-	3,048,729	(130,072,203)	-
Securitization Loan 25 - HNB Bank Trust	204,309,441	-	4,020,990	(208,330,430)	-
Securitization Loan 26 - Peoples Bank Trust	67,520,067	-	2,609,911	(70,129,978)	-
Securitization Loan 28 - Peoples Bank Trust	171,948,283	-	5,521,087	(177,469,370)	-
Securitization Loan 29 - HNB Bank Trust	137,327,039	-	7,301,322	(144,628,362)	-
Securitization Loan 30 - Peoples Bank Trust	253,594,074	-	7,915,235	(261,509,308)	-
Securitization Loan 31 - HNB Bank Trust	120,052,526	-	1,191,678	(121,244,204)	-
Securitization Loan 32 - HNB Bank Trust	433,617,955	-	24,332,614	(457,950,570)	-
Securitization Loan 33 - HNB Bank Trust	602,690,118	-	48,222,699	(518,925,253)	131,987,564
Securitization Loan 34 - HNB Bank Trust	1,072,138,402	-	96,178,232	(674,025,371)	494,291,263
Securitization Loan 35 - HNB Bank Trust	515,185,264	-	36,560,545	(214,840,785)	336,905,024
Securitization Loan 36 - HNB Bank Trust	337,054,720	663,000,000	71,080,803	(392,591,653)	678,543,870
Securitization Loan 37 - HNB Bank Trust	-	500,000,000	24,478,093	(88,014,348)	436,463,745
Securitization Loan 38 - HNB Bank Trust	-	600,000,000	27,935,879	-	627,935,879
Securitization Loan 39 - HNB Bank Trust	-	1,000,000,000	22,757,294	-	1,022,757,294
Securitization Loan 40 - HNB Bank Trust	-	135,000,000	96,661	-	135,096,661
	4,323,450,984	2,898,000,000	406,329,306	(3,763,798,991)	3,863,981,300

29.2 Bank loans

	As at 01.04.2021	Loans obtained	Interest for the period	Repayments	As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
DFCC Vardhana Bank 02	12,499,985	-	198,293	(12,698,278)	-
Sampath Bank Loan 02	15,277,779	-	169,288	(15,447,067)	-
DFCC Vardhana Bank 03	78,124,978	-	4,626,723	(67,126,731)	15,624,970
HNB Bank Loan 04	-	350,000,000	9,177,067	(38,337,067)	320,840,000
Nations Trust Bank Loan 02	21,600,000	-	392,486	(21,992,486)	-
DFCC Vardhana Bank 04	84,375,000	-	6,432,701	(43,932,701)	46,875,000
Sampath Bank Loan 03	104,550,000	-	7,929,021	(57,729,021)	54,750,000
HNB Bank Loan 03	138,880,000	-	9,935,922	(93,275,922)	55,540,000
DFCC Vardhana Bank 05	-	300,000,000	18,716,533	(67,901,321)	250,815,212
DFCC Vardhana Bank 06	-	300,000,000	17,819	(17,819)	300,000,000
Nations Trust Bank Loan 03	-	300,000,000	-	-	300,000,000
NDB Loan 1	-	250,000,000	-	-	250,000,000
	455,307,742	1,500,000,000	57,595,853	(418,458,413)	1,594,445,182

29.3 Loan details

Bank	Approved facility	Purpose	Term of the loan	Security	Underline security amount for outstanding balance Rs.
HNB - Securitization loan 22	Rs.600 Mn	Working capital requirements	36 monthly instalments	Hire purchase and finance lease agreements	389.3 Mn
NSB Fund Management-Securitization loan 24	Rs.1000 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	169 Mn
HNB - Securitization loan 25	Rs.600 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	270.8 Mn
Peoples - Securitization loan 26	Rs.347.6 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	91.8 Mn
Peoples - Securitization loan 28	Rs.500 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	230.7 Mn
HNB - Securitization loan 29	Rs.300 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	188 Mn
Peoples - Securitization loan 30	Rs.500 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	339.9 Mn
HNB - Securitization loan 31	Rs.171.6 Mn	Working capital requirements	18 monthly instalments	Gold loan receivable agreements	157.6 Mn
HNB - Securitization loan 32	Rs.191 Mn	Working capital requirements	22 monthly instalments	Mortgage Bond lease & hire purchase receivable of company	595.3 Mn
HNB - Securitization loan 33	Rs.655 Mn	Working capital requirements	23 monthly instalments	Mortgage Bond of Gold loan receivable	171.5 Mn
HNB - Securitization loan 34	Rs.1000 Mn	Working capital requirements	36 monthly instalments	Mortgage bond gold loan receivable	642.57 Mn
HNB - Securitization loan 35	Rs.500 Mn	Working capital requirements	24 monthly instalments	Mortgage Bond of Gold loan receivable	437.97 Mn
HNB - Securitization loan 36	Rs.337 Mn	Working capital requirements	24 monthly instalments	Mortgage bond Lease & Group personal loan receivable 500MN	812 Mn
HNB - Securitization loan 37	Rs.500 Mn	Working capital requirements	26 monthly instalments	Mortgage bond Lease & Group personal loan receivable	572 Mn
HNB - Securitization loan 38	Rs.600 Mn	Working capital requirements	36 monthly instalments	Mortgage bond Gold Loan loan receivable 600MN	780 Mn
HNB - Securitization loan 39	Rs.1000 Mn	Working capital requirements	18 monthly instalments	Mortgage bond Gold Loan loan receivable Rs.1000 MN	1,300 Mn
HNB - Securitization loan 40	Rs.135 Mn	Working capital requirements	24 monthly instalments	Mortgage bond Gold Loan loan receivable	175.5 Mn
DFCC Vardhana Bank 02	Rs.200 Mn	Working capital requirements	48 monthly instalments	Promissory note	200 Mn
DFCC Vardhana Bank 03	Rs.250 Mn	Working capital requirements	48 monthly instalments	Promissory note	250 Mn
Sampath Bank PLC 02	Rs.350 Mn	Working capital requirements	36 monthly instalments	Mortgage Bond lease & hire purchase receivable of company	350 Mn

Significant Accounting Policies & Notes to the Financial Statements

Bank	Approved facility	Purpose	Term of the loan	Security	Underline security amount for outstanding balance Rs.
Hatton National Bank PLC 04	Rs.350 Mn	Working capital requirements	36 monthly instalments	Mortgage Bond 350 Mn over Gold Loan portfolio to the value of 525 MN	525 Mn
DFCC Vardhana Bank 03	Rs.250 Mn	Working capital requirements	48 monthly instalments	Promissory note	250 Mn
DFCC Vardhana Bank 04	Rs.150 Mn	Working capital requirements	48 monthly instalments	Promissory note	150 Mn
Sampath Bank Loan 03	Rs.200 Mn	Working capital requirements	48 monthly instalments	Loan agreement for Rs.200 Mn	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	200 Mn
HNB Bank Loan 03	Rs.250 Mn	Working capital requirements	36 monthly instalments	Mortgage bond over loan recoverable consisting of business loan, corporate loan, mortgage & Gold loans	250 Mn
DFCC Bank Loan 05	Rs.300 Mn	Working capital requirements	48 monthly instalments	Promissory Note for Rs. 300 MN	300 Mn
DFCC Bank Loan 06	Rs.300 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for 300 MN over gold loan receivable portfolio with collateral margin of 1.3 times	390 Mn
Nations Trust Bank Loan 03	Rs.300 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for 300 MN over gold loan receivable portfolio with collateral margin of 1.5 times	450 Mn
NDB Loan 1	Rs.250 Mn	Working capital requirements	48 monthly instalments	Primary mortgage for 250 MN over gold loan receivable portfolio	375 Mn

30. RIGHT OF USE ASSET-LEASED LIABILITY

ACCOUNTING POLICY

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 has been calculated using the weighted average incremental borrowing rate.

	31.03.2022	31.03.2021
	Rs.	Rs.
Balance at the beginning of the year	213,877,898	126,200,873
Additions/renewal operating lease during the year	42,020,478	121,618,637
Accretion of interest	25,478,575	20,009,921
Payments made during the year	(63,288,541)	(39,408,751)
Expiration of operating lease agreement during the year	(7,821,939)	-
Gain /(Loss)Expiration of operating lease agreement during the year	(1,719,551)	
Transferred from Other Advance - paid last year	(768,477)	(14,542,782)
Balance at the end of the year	207,778,443	213,877,898
Weighted average incremental borrowing rate used	10%	15%

30.1 Sensitivity of Right-of-Use Assets / Lease liability to key assumption

Sensitivity to incremental borrowing rates

Increase/(decrease) in incremental borrowing rate as at 31st March 2022 by 1% would have (decreased)/increased the lease liability by approximately Rs 2.9 Mn(Rs 5.9Mn 31 st March 2021) 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 0.28 Mn (0.18 Mn in 31st March 2021).

31. DUE TO CUSTOMERS

ACCOUNTING POLICY

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. EIR 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 recognised in the Statement of Profit or Loss when the liabilities are derecognised.

Deposits of Rs. 156,851,659 (2021 Rs. 198,121,638) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2021 all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard customer rights and confidence. The company has paid Rs.12,226,998 as the premium for the above insurance scheme during the year. (2021 - Rs.8,452,333).

Significant Accounting Policies & Notes to the Financial Statements

	31.03.2022	31.03.2021
	Rs.	Rs.
Fixed deposits	8,695,180,271	7,011,525,892
	8,695,180,271	7,011,525,892

31.1 Remaining Maturity-Fixed Deposits

As at 31 March

	As at	With in one year	With in 1-5 year	Total
	31.03.2021	6,278,887,137	732,638,755	7,011,525,892
	31.03.2022	8,194,333,141	500,847,131	8,695,180,272

32. DEBENTURE

ACCOUNTING POLICY

Debt Securities issued represent the funds borrowed by the Company and Group for long term and short term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR 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 recognised in the Statement of Profit or Loss when the liabilities are derecognised.

The Debt capital of the company comprises of two billion (Rs 2,000,000,000) rated unsecured subordinated redeemable debenture issued in October 2020 and August 2021. These debentures are listed in the Colombo stock exchange. ICRA Lanka Ltd upgraded the credit rating of the above debenture to (SL) A- with stable outlook from (SL) BBB + with stable outlook during the financial year 2020/21 and reaffirmed during this financial year as (SL) A - (Stable).

Note	31.03.2022		31.03.2021	
	Number	Rs.	Number	Rs.
Type A Debenture	4,613,000	478,698,258	4,613,000	476,486,467
Type B Debenture	5,387,000	560,802,570	5,387,000	552,978,643
Type A2 Debenture	1,005,100	105,134,997	-	-
Type B2 Debenture	3,342,400	333,923,955	-	-
Type C Debenture	15,500	1,627,885	-	-
Type D Debenture	5,637,000	592,689,674	-	-
As at 31st March	20,000,000	2,072,877,339	10,000,000	1,029,465,109

32.1 Interest rate of the debentures

Instrument type	Interest frequency	Coupon rate (% p.a)	Interest yield as at last trade date	Yield to maturity of last trade done	Interest rate of comparable Government security
Type A Debenture	Annually	10.28%	Not Traded	Not Traded	8.53%
Type B Debenture	Annually	10.76%	Not Traded	Not Traded	8.53%
Type A2 Debenture	Annually	8.76%	Not Traded	Not Traded	8.53%
Type B2 Debenture	Monthly	11.89%	Not Traded	Not Traded	8.53%
Type C Debenture	Annually	9.26%	Not Traded	Not Traded	8.53%
Type D Debenture	Annually	9.43%	Not Traded	Not Traded	8.53%

32.2 Marketprice and issue prices of debentures recorded during the year ended 31st March 2022 are as follows;

Instrument type	Issued price Rs.	Highest price Rs.	Lowest price Rs.	Last traded price Rs.	Last traded date
Type A Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type B Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type A2 Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type B2 Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type C Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type D Debenture	100	Not Traded	Not Traded	Not Traded	N/A

32.3 Categories

Instrument type	Allotment date	Rate	Number	Transaction cost Rs.	Value Rs.
Type A Debenture	5th October 2020	10.28%	4,613,000	8,398,103	478,698,258
Type B Debenture	5th October 2020	10.76%	5,387,000	9,207,164	560,802,570
Type A2 Debenture	20th August 2021	8.76%	1,005,100	810,367	105,134,997
Type B2 Debenture	20th August 2021	11.89%	3,342,400	2,695,918	333,923,955
Type C Debenture	20th August 2021	9.26%	15,500	9,339	1,627,885
Type D Debenture	20th August 2021	9.43%	5,637,000	4,458,606	592,689,674
			20,000,000	25,579,497	2,072,877,339

Significant Accounting Policies & Notes to the Financial Statements

32.4 Movement of the Debenture

	Note	31.03.2022	2020/21
		Rs	Rs.
Balance at the beginning of the year		1,029,465,110	-
Add : During the year processed		1,000,000,000	1,000,000,000
Interest expense on subordinated debt		160,540,006	29,465,110
Interest paid on subordinated debt		(117,127,777)	-
Balance at the end of the year		2,072,877,339	1,029,465,110

33. RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

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'.

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.

Funding arrangements

The gratuity liability is not externally funded

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.

Defined contribution plans -Employees' Trust Fund

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

Retirement benefit obligations - gratuity

	31.03.2022	31.03.2021
	Rs.	Rs.
Balance at the beginning of the year	30,135,378	29,972,864
Amount charged for the year	4,887,251	2,784,314
Payments made during the year	(2,226,250)	(2,621,800)
Balance at the end of the year	32,796,379	30,135,378

AMOUNT RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS

	31.03.2022	31.03.2021
	Rs.	Rs.
Current service cost for the year	4,219,106	2,997,286
Interest cost for the year	2,260,153	4,166,435
Past Service Cost	(427,708)	-
	6,051,551	7,163,721

AMOUNT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

	31.03.2022	31.03.2021
	Rs.	Rs.
Actuarial (gain)/loss for the year	(1,164,300)	(4,379,407)
	(1,164,300)	(4,379,407)

33.1 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, 2022. 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 valuation for defined benefit obligation was carried out as at 31 March 2022 by Mr.M Poopalanathan, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits.

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

33.2 Actuarial assumptions used in calculating the gratuity liability are given below:

	31.03.2022	31.03.2021
Discount rate	13.1%	10%
Salary increment rate	6%	10%
Staff turnover	28%	33%
Retirement age	60 years	55 years
Mortality	67/70 Mortality Table (Institute of Actuaries, London)	

Significant Accounting Policies & Notes to the Financial Statements

33.3 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:

	31.03.2022	31.03.2021
	Rs.	Rs.
Discount rate		
Effect on retirement benefit obligation due to 1% increase	(820,008)	(786,573)
Effect on retirement benefit obligation due to 1% decrease	806,257	832,603
Effect on retirement benefit obligation due to 5% increase	(3,568,150)	-
Effect on retirement benefit obligation due to 5% decrease	4,726,988	-
Salary increment rate		
Effect on retirement benefit obligation due to 1% increase	784,345	30,908,506
Effect on retirement benefit obligation due to 1% decrease	31,985,447	29,391,753

33.4 Analysis of retirement benefit obligation by maturity profile

Following note analysed the defined benefit obligation by expected future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

	31.03.2022	31.03.2021
	Rs.	Rs.
Within next 12 Months	8,199,095	8,975,313
Between 1-5 Years	13,118,552	12,054,151
Beyond 5years	11,478,733	9,105,914

34. STATED CAPITAL

ACCOUNTING POLICY

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka.

	31.03.2022		31.03.2021	
	Number	Rs.	Number	Rs.
Fully paid ordinary shares	124,195,533	1,791,478,691	124,195,533	1,791,478,691

34.1 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.

All shares rank equally with regard to the Company's residual assets.

34.2. Fully paid Preference Shares

	31.03.2022		31.03.2021	
	Number	Rs.	Number	Rs.
Balance at the beginning of the year	-	-	-	-
Share issued during the year	41,398,511	413,985,110	-	-
Balance at the end of the year	41,398,511	413,985,110	-	-

These convertible, irredeemable preference shares to be deemed converted to ordinary shares, immediately upon the completion of five years from the date of issue and to be listed subsequently. As such, these shares considered as a part of equity.

35. STATUTORY RESERVE FUND AND OTHER RESERVES

	31.03.2022	31.03.2021
	Rs.	Rs.
Statutory reserve fund	82,270,012	76,026,159
General reserve	3,000,000	3,000,000
	85,270,012	79,026,159

Significant Accounting Policies & Notes to the Financial Statements

35.1 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. The Company transferred 5% of its annual net profit after tax to this reserve in compliance with this direction.

35.2 General reserve

General Reserve represents the amounts set aside by the directors for general application.

36. EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earning per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Basic/Diluted earnings per share is calculated as per Sri Lanka Accounting Standard - LKAS 33 - Earnings per share.

36.1 Basic earnings per share

The following reflects the income and share data used in the basic earnings per share computation.

	31.03.2022	31.03.2021
	Rs.	Rs.
Amounts used as the numerator:		
Net profit attributable to ordinary shareholders for basic earnings per share	118,561,733	45,196,117
Number of ordinary shares used as the denominator for basic earnings per share		
	Number	Number
Weighted average number of ordinary shares in issue	124,195,533	124,195,533
Basic earnings per share	0.95	0.36

36.2 DILUTED EARNINGS PER SHARE

The following reflects the income and share data used in the diluted earnings per share computation.

	Note	31.03.2022 Rs.	31.03.2021 Rs.
Amounts used as the numerator:			
Profit attributable to ordinary shareholders for basic earnings per share		118,561,733	45,196,117
Number of ordinary shares used as denominator for basic earnings per share			
		Number	Number
Adjusted weighted average number of ordinary shares in issue	36.2.1	165,594,044	124,195,533
Diluted earnings per share (Rs.)		0.72	0.36

36.2.1 Adjusted weighted average number of ordinary shares in issue

	'2021/2022 Rs.	31.03.2021 Rs.
Weighted average number of ordinary shares in issue before dilution	124,195,533	124,195,533
Number of ordinary shares in convertible preference shares	41,398,511	-
Adjusted weighted average number of ordinary shares in issue	165,594,044	124,195,533

37. CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

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 - 'Provisions, Contingent Liabilities and Contingent Assets'. 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.

Commitments

	Note	31.03.2022 Rs.	31.03.2021 Rs.
Promissory note to DFCC Bank PLC Loans	37.1	700,000,000	300,000,000
Undrawn commitments	37.2	5,043,900	13,339,617
Capital commitments	37.3	15,849,066	6,096,051
Bank guarantee	37.4	15,463,226	23,704,301
		736,356,192	343,139,968

Significant Accounting Policies & Notes to the Financial Statements

37.1. Promissory notes

The related loan balances on issued promissory notes are as follows as at the reporting date.

	Promissory note value	Loan outstanding as at 31.03.2022
	Rs.	Rs.
Promissory notes to DFCC Bank PLC		
DFCC Vardhana Bank 03	250,000,000	15,624,970
DFCC Vardhana Bank 04	150,000,000	46,875,000
DFCC Bank Loan 05	300,000,000	250,815,210
	700,000,000	313,315,180

37.2 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.

37.3 Bank Guarantee

Purpose	Issue Bank	Bank Gurantee No.	Period	31.03.2022	31.03.2021
				Rs.	Rs.
Tax appeal	Sampath Bank	398720210024	9th dece2021- 9th Dec 2022	1,051,182	0
Tax appeal	Sampath Bank	398720210003	20th Jan 2022 -19 th Jan 2023	365,948	365,948
Tax appeal	Sampath Bank	398720210005	24th Feb 2022- 23th Feb 2023	2,254,241	2,254,240
Tax appeal	Sampath Bank	398720210008	15th June 2021- 15th June 2022	7,766,725	
Tax appeal	Sampath Bank	398720210023	15th Nov 2021 to 15th Nov 2022	2,716,302	
Tax appeal	Sampath Bank	398720220003	7th Jan 2022 -7th Jan 2023	767,987	
Foreign Currency Buying and Selling	Sampath Bank	302921329126	1st Jan 2021 to 31st Dec 2022		2,500,000
Tax appeal	Sampath Bank	392720200009	20th Nov 2022 to 19th Nov 2023	926,681	975,862
				15,849,066	6,096,050

37.4 Capital Commitments

Capital implement customer digital onboarding mechanism using mobile based interface by providing cutting edge digital experience AAF customers. Mobile interface will be fully integrated with Core banking solution to provide real-time banking experience and transaction details. AAF expect to achieve fully transparent end-end transaction execution though implementation by enhancing compliance, process automation, process throughput and digital convenience to AAF customers. During this implementation expect to upgrade hardware infrastructure and expect performance improvements in the CBS functionalities to meet AAF expanding branch network.

38. LITIGATION AGAINST THE COMPANY

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. In respect of pending legal claims where the Company had already made provisions for possible losses in the Financial Statements or has a realisable security to cover the damages are not included below as the Company does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate. Given below are the unresolved legal claims against the Company as at 31st March 2022 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. The Company's legal counsel is of the opinion that litigation which is currently pending, will not have a material impact on the reported financial results or future operations of the Company.

Plaintiff	Nature of the case	Court and case No.	Value of action Rs.	Present status
Customer	Recovery of money	862/M Pugoda District court	50,000,000	Further trial 15th June 2022
Customer	Recovery of money	CHC/16/2021/MR, Commercial High court	70,000,000	For Answer - 27th May 2022
Customer	Recovery of money	DMR/00494/2021 Colombo District court	10,906,845	Calling 10th June 2022
Customer	Recovery of money	DMR/2445/2021 Colombo District court	7,500,000	Calling 15th July 2022
Customer	Recovery of money	DMR/3258/2021 Colombo District court	2,500,000	Calling 16th September 2022
Customer	Recovery of money	DMR/2444/2021 Colombo District court	3,000,000	Calling 15th July 2022

39. CONTINGENT LIABILITIES

The company does not have significant contingent liabilities as at the reporting date.

40. ASSETS PLEDGED

The assets pledged as securities for liabilities have been disclosed under note 29.3.

Significant Accounting Policies & Notes to the Financial Statements

41. MATURITY ANALYSIS

ACCOUNTING POLICY

"The table below summaries the maturity profile of the undiscounted cash flows of the Company's Financial assets and liabilities as at 31 March 2022. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect expected cash flows indicated by the Company's deposit retention history. 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:

An analysis of the total assets employed and the total liabilities as at the year end, based on the remaining balance at the reporting date to the respective contractual maturity dates is given below:

	Less than 3 months Rs.	3-12 months Rs.	1-3 years Rs.	Over 3 years Rs.	Total Rs.
Cash and cash equivalents	1,397,632,551	-	-	-	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortised cost	989,433,452	-	-	-	989,433,452
Financial assets at amortised cost - Loans and advances	11,615,999,569	1,016,259,824	1,276,251,016	820,671,710	14,729,182,119
Financial assets at amortised cost - Lease rentals receivable and hire purchase	102,648,862	281,980,593	644,144,522	55,343,553	1,084,117,530
Other assets	5,875,266	102,311,986	14,291,782	673,067	123,152,101
Income tax receivable	-	27,698,763	-	-	27,698,763
Deposits and prepayments	67,214,496	17,927,182	4,318,850	15,057,500	104,518,028
Financial assets - Fair value through other comprehensive income	-	-	-	506,659	506,659
Right-of-use assets	12,679,868	37,102,952	97,381,006	49,332,969	196,496,795
Property, plant and equipment	1,058,248	2,346,853	32,426,668	148,546,039	184,377,810
Investment property	-	35,300,000	-	323,755,285	359,055,285
Deferred tax asset	15,000,000	45,000,000	41,422,647	-	101,422,647
Intangible assets	-	-	-	44,194,279	44,194,279
As at 31.03.2022	14,207,542,313	1,565,928,153	2,110,236,492	1,458,081,061	19,341,788,019
As at 31.03.2021	8,716,069,089	1,740,053,711	2,882,276,781	2,012,366,172	15,350,765,753
Liabilities					
Financial liabilities - Due to banks	38,990,640	-	-	-	38,990,640
Other liabilities	72,781,317	7,446,042	-	-	80,227,359
Financial liabilities - Other borrowed funds	813,741,735	2,083,856,910	2,498,333,837	62,494,000	5,458,426,482
Lease liability	8,438,173	27,625,039	98,900,735	72,814,496	207,778,443
Subordinated liabilities	(50,322,047)	36,605,644	1,480,044,598	606,549,144	2,072,877,339
Due to customers	4,765,373,611	3,428,959,530	421,563,719	79,283,411	8,695,180,271

	Less than 3 months Rs.	3-12 months Rs.	1-3 years Rs.	Over 3 years Rs.	Total Rs.
Retirement benefit obligation				32,796,379	32,796,379
As at 31.03.2022	5,649,003,429	5,584,493,164	4,498,842,889	853,937,431	16,586,276,913
As at 31.03.2021	2,786,340,427	7,320,226,397	2,736,852,538	284,931,329	13,128,350,694
Net amount					
As at 31.03.2022	8,558,538,884	(4,018,565,011)	(2,388,606,397)	604,143,631	2,755,511,106
As at 31.03.2021	5,929,392,936	(5,564,927,481)	145,424,242	1,727,434,845	2,222,079,395

42. CURRENT/NON-CURRENT ANALYSIS

	31.03.2022			31.03.2021		
	Within 12 months Rs.	After 12 months Rs.	Total Rs.	Within 12 months Rs.	After 12 months Rs.	Total Rs.
Cash and cash equivalents	1,397,632,551		1,397,632,551	1,006,233,476	-	1,006,233,476
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	989,433,452	-	989,433,452	654,692,844	-	654,692,844
Financial assets at amortized cost - Loans and advances	12,632,259,393	2,096,922,726	14,729,182,119	7,567,804,989	2,630,457,874	10,198,262,863
Financial assets at amortized cost - Lease rentals receivable and hire purchase	384,629,455	699,488,075	1,084,117,530	942,475,641	1,270,059,253	2,212,534,894
Other assets	108,187,252	14,964,849	123,152,101	121,313,548	-	121,313,548
Income Tax Receivable	27,698,763		27,698,763	27,698,763	-	27,698,763
Advances, deposits and prepayments	85,141,678	19,376,350	104,518,028	135,568,261	16,839,169	152,407,430
Financial assets - Fair value through other comprehensive income / available for sale	-	506,659	506,659	-	506,659	506,659
Right-of-use assets	49,782,820	146,713,976	196,496,795	-	217,810,352	217,810,352
Property, plant and equipment	3,405,103	180,972,707	184,377,810	-	156,436,176	156,436,176
Investment property	35,300,000	323,755,285	359,055,285	-	376,158,647	376,158,647
Deferred tax asset	60,000,000	41,422,647	101,422,647	-	185,422,647	185,422,647
Intangible assets	-	44,194,279	44,194,279	-	40,951,790	40,951,790
Total assets	15,773,470,466	3,568,317,553	19,341,788,019	10,455,787,522	4,894,642,567	15,350,430,089

Significant Accounting Policies & Notes to the Financial Statements

	31.03.2022			31.03.2021		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities						
Financial liabilities - Due to banks	38,990,640	-	38,990,640	24,279,289	-	24,279,289
Other liabilities	72,781,309	7,446,042	80,227,359	37,812,245	2,496,157	40,308,402
Financial liabilities - Other borrowed funds	2,897,598,645	2,560,827,837	5,458,426,482	3,657,207,038	1,121,551,688	4,778,758,726
Lease liability	36,063,211	171,715,231	207,778,443	-	213,877,898	213,877,898
Debenture	(13,716,403)	2,086,593,742	2,072,877,339	93,965,320	935,499,789	1,029,465,109
Due to customers	8,194,333,141	500,847,131	8,695,180,271	6,290,806,777	720,719,116	7,011,525,892
Retirement benefit obligation	-	32,796,379	32,796,379	-	30,135,378	30,135,378
Total liabilities	11,226,050,551	4,753,677,218	16,586,276,913	10,104,070,668	3,024,280,026	13,128,350,694
Net balance	4,547,419,915	(1,791,908,808)	2,755,511,106	351,716,853	1,870,362,540	2,222,079,394

43. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

44.1 Determination of fair value and fair value hierarchy

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. As at 31st March, 2022 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 those assets by valuation technique:

43.2 Financial assets - Fair Value through other comprehensive income

Financial assets - Fair Value through other comprehensive income valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

43.3 Financial assets -Fair value through profit or loss

Financial assets -Fair value through profit or loss valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

43.4 Financial Assets and Liabilities carried at Amortized Cost

The fair value of mixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorized under level 3 in the fair value hierarchy.

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

43.4.1 Assets measured at fair value

Assets measured at fair value	31.03.2022			
		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

Assets measured at fair value	31.03.2021			
		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

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.

44. FINANCIAL REPORTING BY SEGMENT

As per the provisions of Sri Lanka Financial Reporting Standard, SLFRS- 8, the operating segment of the Company has been identified based on the product and services offered by the Company of which level of risk and rewards is significantly different from one another. Top management of the Company considers the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues are described as follows;

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 to assess its performance, and for which discrete financial information is available.

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.

Significant Accounting Policies & Notes to the Financial Statements

	Finance lease		Hire purchase		Gold loan	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	352,197,721	745,851,026	1,851,257	5,871,300	1,528,952,298	937,121,057
Other income	53,625,184	24,236,945	-	-	464,559,038	175,168,918
Total revenue	405,822,905	770,087,971	1,851,257	5,871,300	1,993,511,336	1,112,289,975
Segmental result	30,446,770	34,362,198	82,605	261,984	149,562,729	49,631,639
Value added tax on financial services						
Profits from operations						
Income tax charge for the year						
Net profit for the year						
Segment assets	1,084,117,530	2,182,908,398	-	8,259,920	11,639,701,785	6,561,591,532
Unallocated assets	-	-	-	-	-	-
Total assets	1,332,011,846	2,182,908,398	542,413	8,259,920	11,686,848,221	3,089,480,334
Segment liabilities	968,864,397	1,992,459,392	-	7,539,279	10,402,278,663	5,989,121,984
Unallocated liabilities		-	-	-	-	
Total liabilities	968,864,397	1,992,459,392	-	7,539,279	10,402,278,663	5,989,121,984

45. RELATED PARTY DISCLOSURES

As per the Sri Lanka Accounting Standard - LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company. The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates. Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity. During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. During the current period there were no recurrent related party transactions exceeds 10% of the gross revenue/income .

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:

45.1 Parent and ultimate controlling party

The parent and ultimate parent of the Company as at 31st March, 2022 is Muthoot Finance Limited.

Loans and advances		Investment		Other		Total	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
542,564,622	946,565,933	150,514,713	89,638,312	-	-	2,576,080,611	2,725,047,628
73,382,807	14,059,816	240,000	320,000	14,825,243	15,981,295	606,632,272	229,766,974
615,947,429	960,625,748	150,754,713	89,958,312	14,825,243	15,981,295	3,182,712,882	2,954,814,602
46,211,314	42,864,209	11,310,338	4,014,042	1,112,260	713,103	238,782,301	131,847,175
						(36,500,000)	(45,100,000)
						202,282,301	86,747,176
						(83,720,568)	(41,551,058)
						118,561,733	45,196,118
3,089,480,334	3,658,037,907	2,387,066,003	1,660,926,320	-	-	18,200,365,652	14,071,724,077
-	-	-	-	1,141,422,367	1,278,706,012	1,141,422,367	1,278,706,012
3,089,480,334	3,636,671,331	2,265,065,684	1,660,926,320	761,274,221	2,284,939,488	19,341,788,019	15,350,430,089
2,761,035,974	3,338,890,442	2,133,295,698	1,516,017,919	-	-	16,265,474,732	12,844,029,016
-	-	-	-	320,802,181	284,321,678	320,802,181	284,321,678
2,761,035,974	3,338,890,442	2,133,295,698	1,516,017,919	320,802,181	284,321,678	16,586,276,913	13,128,350,694

45.2 Transactions with related entities

45.2.1 Muthoot Finance Limited

Relationship - Ultimate parent

	31.03.2022	31.03.2021
	Rs.	Rs.
Transactions during the year		
Expenses incurred for Muthoot Finance Limited	3,062,967	3,511,514

45.3 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. Following transactions were entered between the company and its key management personnel and their close family members.

Significant Accounting Policies & Notes to the Financial Statements

45.3.1 Key management personnel compensation

	31.03.2022	31.03.2021
	Rs.	Rs.
Short-term employment benefits paid - Directors	17,063,000	14,732,000

45.3.2 Other transactions with key management personnel

	31.03.2022	31.03.2021
	Rs.	Rs.
(a) Items in the statement of financial position		
Assets - Loan and receivables	10,973,256	30,238,851
Liabilities - Due to customers	71,189,820	19,578,371
(b) Items in the statement of profit or loss		
Interest income	1,461,627	3,379,883
Interest expense	5,862,927	1,493,793
Accommodation outstanding as a percentage of the Company's Capital Fund (%)		
Loan and receivables	0.51%	1.36%

45.3.3 Share transactions with key management personnel

	31.03.2022	31.03.2021
	Rs.	Rs.
Number of ordinary shares held at the year end	-	-

45.3.4 Senior management personnel compensation

Short-term employment benefits paid to Senior Management	75,958,006	70,432,080
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46. 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 and 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 successful risk management will enable it to be resilient to any unfavourable event caused by internal or external factors.

46.1 Risk management committees

46.1.1 Assets and liability committee (ALCO)

ALCO is chaired by the chief executive officer and its representatives are, the chief operating officer, general manager, the deputy general manager-finance, the assistant manager -treasury and the senior manager - finance. The committee meeting is held once a month to monitor and manage the assets and liabilities of the company and also overall liquidity position to keep the company's liquidity at healthy levels whilst satisfying regulatory requirements.

46.2 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company. The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Capital Adequacy Requirements) Direction No.03 of 2018 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital. The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL. The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general & other reserves less goodwill, other intangible assets, other comprehensive income losses, deferred tax assets, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies

In compliance with Finance Companies Risk Weighted Capital Adequacy Ratio Direction No: 2 of 2006 shall maintain

- (a) Tier 1 Capital 6%
- (b) Tier II Capital 10.5%

However, due to the COVID-19, Central Bank of Sri Lanka issued amendments to Direction on Risk Weighted Core Capital requirements have changes as follows until 30 June 2022.

- (a) Tier 1 Capital 7%
- (b) Tier II Capital 11%

Even though the Finance Business Act Direction No. 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2.5 billion by 1 January 2021, by a letter dated 31 March 2020 issued by the Central Bank of Sri Lanka captioned "Regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed Finance Companies to support business and individual affected by the outbreak of Corona Virus Disease (COVID-19)", concessions were granted to defer the enhancement of minimum core capital requirement of Rs. 2.5 billion until 1 January 2022.

Significant Accounting Policies & Notes to the Financial Statements

	Note	31.03.2022 %	31.03.2021 %
Tier 1 Capital Ratio (Minimum requirement of 7.%)		27.77	16.75
Total Capital (Minimum requirmeent 11%)		27.77	16.75

46.3 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. Market risk is potential losses arising from changes in earnings, market or future cash flows of a portfolio of financial instruments resultant from adverse movements in market variables such as interest rates, share prices, foreign exchange rates and bond and commodity prices. Most of the Bank's operations are exposed to at least one or more elements of market risk. The market risk stems primarily from the interest rate risk of its trading and non-trading books and from exposure to gold prices due to its pawning portfolio.

46.3.1 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.

46.3.2 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.

Under SLFRS 9: "Financial Instruments: Recognition & Measurement", the AAF assess the impairment of loans and advances individually or collectively based on the principles of "expected credit loss" (Refer Note 14 for details) model which is expected to capture future trends in the economy. However, the regulatory provisions are made on loans and advances under the Direction No. 03 of 2008 on "Classification of loans and advances, Income Recognition and Provisioning" (and subsequent amendments thereof) issued by the CBSL are "time/delinquency base". Further, under SLFRS 9, other debt financial assets not held at FVTPL, together with loan commitments and other off balance sheet exposures such as financial guarantees and letter of credits, are subjected to impairment provision, whereas no such regulatory provision is required for those financial assets as per the CBSL Direction. As a result, SLFRS 9 recognises higher impairment provisions compared to CBSL guidelines. Financial investments and financial liabilities (other than FVTPL) are carried at "cost" for regulatory reporting purposes while they are classified as "Financial assets measured at fair value through other comprehensive income" carried at fair value or Financial assets/liabilities at amortised cost under SLFRS 9. The "Fair value" is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A variety of valuation techniques combined with the range of plausible market parameters as at a given point in time may still generate unexpected uncertainty beyond fair value. An "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Hence, the amortised cost of financial investments and financial liabilities under SLFRS 9 is different to the carrying value for regulatory reporting which is the "cost"

46.3.3 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 post COVID-19 with new normal .

46.3.3.1 Total Liquid Assets

	31.03.2022 Rs.	31.03.2021 Rs.
Cash in hand	75,887,122	79,452,195
Balances in current accounts	34,682,797	44,347,401
Deposits in commercial banks	971,297,964	642,962,814
Treasury bills and Treasury Bonds	989,433,452	654,692,844
Other approved securities	304,334,268	227,054,877
	2,375,635,603	1,648,510,131

	31.03.2022 Rs.	31.03.2021 Rs.
Availble Liquid Asset	2,095,851,859	1,434,071,000
Required Liquid Asset	901,298,277	430,125,020

	31.03.2022 Rs.	31.03.2021 Rs.
Advances to deposit ratios (Times)	0.24	0.29
Liquid Assets to Deposit (%)	12.08%	15.68%

46.3.4 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 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.

Significant Accounting Policies & Notes to the Financial Statements

46.3.5 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a Financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Techniques used to measure the interest rate risk include, Duration Gap Analysis, VaR and Earnings at Risk. Rate sensitive assets and liabilities are mapped into time buckets based on their maturity period, in order to ascertain the duration gap and overall exposure to interest rate risk.

The Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the latter part of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped to bridge the gap between the policy and market interest rates.

The company sets out the aggregated level and risk types it accepts in order to achieve business objectives in a risk appetite statement with tolerance thresholds are decided based on the regional concept. This is reviewed on an ongoing basis, and formally approved by Integrated Risk Management Committee every one month. Stress Testing evaluates the potential vulnerabilities in the Company's overall profitability, asset portfolio, liquidity, operations and capital strength under current macro-economic conditions. This assists in the formulation of possible mitigating actions that could be considered in such circumstances. Based on the stress testing, immediate changes are introduced to business cycles through new product types to enhance liquidity and profitability requirement. All the functionality and process are directly linked with the core system for daily and ongoing monitoring process.

The following table demonstrates the sensitivity of the Company's profit for the year ended 31 March 2022 and 31 March 2021 to a reasonable possible change in interest rates, with all other variables remaining constant.

Impact on Statement of Income due to interest rate shocks

	31.03.2022	31.03.2021
	Rs.	Rs.
Magnitude of 100% shock	237,123,466	90,392,234
Magnitude of 150% shock	177,842,600	67,794,175
Magnitude of -50% shock	59,280,867	22,598,058
Magnitude of -25% shock	88,921,300	33,897,088

46.3.5.1 Interest Rate Exposure on Financial Asset and Liabilities

The table below analyses the Company's interest rate risk exposure on non-trading Financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 st March 2022	Carrying amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Non interest bearing
Assets								
Cash and cash equivalents	87,317,522	87,317,522	-	-	-	-	-	-
Balances with banks and Financial institutions	1,310,315,029	34,682,797	1,275,632,232	-	-	-	-	-
Loans and receivables - Amortised cost	15,813,299,649		11,240,607,719	1,298,240,417	1,920,395,539	786,413,128	89,602,136	478,040,710
Other Financial assets	506,659	-	-	-	-	-	-	506,659
Total	17,211,438,859	122,000,319	12,516,239,951	1,298,240,417	1,920,395,539	786,413,128	89,602,136	478,547,369
Liabilities								
Due to banks	38,990,640	38,990,640						
Due to customers	8,695,180,271		4,765,373,612	348,959,530	421,563,718	79,283,411	-	-
Debt securities issued	2,072,877,339		(50,322,047)	36,605,644	148,044,598	606,549,144	-	-
Other Financial liabilities	5,458,426,482		813,741,735	2,083,856,910	2,498,333,837	2,498,333,837	-	-
Lease liabilities	207,778,443		8,438,174	27,625,039	98,900,735	72,814,496	-	-
Total	16,473,253,175	38,990,640	5,537,231,474	5,577,047,122	4,498,842,888	821,141,052	-	-
Total interest sensitivity gap	738,185,684	83,009,679	6,979,008,478	(4,278,806,705)	(2,578,447,350)	(34,727,924)	89,602,136	478,547,369
As at 31 st March 2022								

46.3.6 Commodity Price Risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the Company, the volatility in gold prices may adversely affect the profits of the Company. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Product lifetime - As a credit risk management strategy, the Company delivers services in less time, enabling a faster recovery process.

46.3.7 Operational risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. Operational risks exist in the natural course of business activities, products and processes. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Operational Risks cannot be fully eliminated. However Bank objective is to contain it within acceptable levels as determined by Bank's Board of Directors. The Bank's Operational Risk management framework clearly articulates the policies, structures and processes in place to manage the different types of operational risk exposures. The Board of Directors, supported by the BIRMC is responsible for formulating policy and ensuring the robustness of the operational risk management framework. Loss events are recorded and periodically reported through the Risk Management Unit to the Operational Risk Management Committee (ORMC). Meanwhile, Internal Audit also provides assurance to the Board on the effectiveness on the operational risk management processes in place.

Significant Accounting Policies & Notes to the Financial Statements

46.4 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.

46.4.1 Risk Appetite

The term "Risk Appetite" refers to the broad types and quantum of risk the AAF is willing to undertake in implementing its business strategy. It is expressed in the form of tolerance limits and risk trigger points across a range of variables. The Board of Directors has ultimate responsibility for setting the Risk Appetite of the Group and ensure that the exposures and risks are maintained within that approved levels.

46.4.2 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.

The Company conducted an in-depth analysis on the probable customers who would get affected and the scale of impact it may have on the Company's lending portfolio due to the prevailing macro-economic uncertainty and COVID-19 and the related impacts to our customers on account of elevated inflation and interest rates. The Company manages this by diversifying the lending portfolio across a wide range of products and customer segments which in turn would ensure the resilience of the Company in an economic shock of this nature. The Company is comfortable with the existing composition of its loan portfolio and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky segments.

46.4.3 Company's approach to credit risk

Under SLFRS 9: "Financial Instruments: Recognition & Measurement", the AAF assess the impairment of loans and advances individually or collectively based on the principles of "expected credit loss" (Refer Note 18 for details) model which is expected to capture future trends in the economy. However, the regulatory provisions are made on loans and advances under the Direction No. 03 of 2008 on "Classification of loans and advances, Income Recognition and Provisioning" (and subsequent amendments thereof) issued by the CBSL are on "time/delinquency base". Further, under SLFRS 9, other debt financial assets not held at FVTPL, together with loan commitments and other off balance sheet exposures such as financial guarantees and letter of credits, are subject to impairment provision, whereas no such regulatory provision is required for those financial assets as per the CBSL Direction. As a result, SLFRS 9 recognises higher impairment provisions compared to CBSL guidelines. Financial investments and financial liabilities (other than FVTPL) are carried at "cost" for regulatory reporting purposes while they are classified as "Financial assets measured at fair value through other comprehensive income" carried at fair value or Financial assets/liabilities at amortised cost under SLFRS 9. The "Fair value" is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A variety of valuation techniques combined with the range of plausible market parameters as at a given point in time may still generate unexpected uncertainty beyond fair value. An "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Hence, the amortised cost of financial investments and financial liabilities under SLFRS 9 are different to the carrying value for regulatory reporting which is the "cost"

46.5 Impairment assessment

The company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes more than 90 days past or three instalments in arrears due on its contractual payments or when classified as Non-Performing Loan(NPL) as per directions issued by the Central Bank of Sri Lanka (CBSL).

46.5.1 Individually assessed allowances

The allowances appropriate for each individually significant loan or advance on an individual basis if there is any objective evidence of a potential loss. The Company has currently set individually significant threshold at LKR 5Mn for Small and Corporate Loans and for LKR 1Mn for Personal loan category, and every customer having an aggregate exposure above that limit is individually assessed for objective evidence of incurred loss. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy arise, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows.

46.5.2 Collectively assessed allowances

Allowances are assessed collectively for losses on loans and receivables that are not individually assessed. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as loan types, industry codes, and level of arrears). The AAF applies a three-stage approach to measure expected credit losses (ECLs). Financial assets migrate through the following three stages based on the change in credit risk since initial recognition.

Significant Accounting Policies & Notes to the Financial Statements

46.5.3 Analysis of credit quality - Maximum exposure to credit risk by class of financial assets

As at 31st March 2022

	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.	Rs.	Rs.
Cash and cash equivalents	1,397,632,551	1,397,632,551			
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	989,433,452	989,433,452			
Loans and advances at amortized cost					
Gross loans and advances	16,087,670,167	-	10,021,766,408	-	-
Less : Impairment charge	(1,341,559,193)	-	(79,425,311)	-	-
Less :Net Interest Margin	(16,928,855)	-	(16,928,855)	-	-
Net carrying amount	14,729,182,119	-	9,925,412,242	1,085,162,698	3,718,607,179
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	1,257,342,474	-	717,054,715	177,204,900	314,280,459
Less : Impairment charge	(158,388,642)	-	(8,566,631)	16,026,905	133,795,105
Less :Net Interest Margin	(14,836,302)	-	(14,836,302)	-	-
Net carrying amount	1,084,117,530	-	742,454,181	161,177,995	180,485,353
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			

46.5.3 Analysis of credit quality - Maximum exposure to credit risk by class of financial assets (contd....)

As at 31st March 2021

	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.	Rs.	Rs.
Cash and cash equivalents	1,006,233,476	1,006,233,476			
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	654,692,844	654,692,844			
Loans and advances at amortized cost					
Gross loans and advances	11,589,637,654		7,096,003,282	717,054,715	3,776,579,656
Less : Impairment charge	(1,374,445,936)		(130,393,979)	(20,305,792)	(1,223,746,165)
Less :Net Interest Margin	(16,928,855)		(16,928,855)		
Net carrying amount	10,198,262,863	-	6,948,680,448	696,748,923	2,552,833,491
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	2,444,357,449	-	2,047,968,605	63,409,092	332,979,753
Less : Impairment charge	(216,986,253)	-	(20,657,455)	(4,257,410)	(192,071,388)
Less :Net Interest Margin	(14,836,302)		(14,836,302)		
Net carrying amount	2,212,534,894	-	2,012,474,847	59,151,682	140,908,365
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			

46.6 Analysis of ECL Model under multiple economic scenarios

ECLs must reflect an unbiased and probability weighted estimate of credit losses over the expected life of the financial instrument. The main objective of the probability weighted economic estimates is to convert the historical statistics into more futuristic indicators. Also Primarily Economic factor adjustment is used to convert the Through the Cycle (TTC) PD in to Point in Time (PiT) PDs.

Significant Accounting Policies & Notes to the Financial Statements

46.6.1 Sensitivity analysis of Impairment provisions on Loans and advances to customers

As at 31 March 2022	Sensitivity on ECL sensitivity effect on Financial Position			Sensitivity effect on Income
	Stage1	Stage2	Stage3	
PD 1% increase across all age buckets	1,582,290	1,978,281	-	3,560,571
PD 1% decrease across all age buckets	(1,582,290)	(1,978,281)	-	(3,560,571)
LGD 5% increase	2,674,500	12,247,965	247,061,406	261,983,870
LGD 5% decrease	(2,674,500)	(12,247,965)	(247,061,406)	(261,983,870)
Probability weighted Economic Scenarios				
Base case 10% increase, worst case 5% decrease and best case 5% decrease	35,399	252,757	-	288,156
Base case 10% decrease, worst case 5% increase and best case 5% increase	(31,123)	(222,760)	-	(253,883)

As at 31 March 2021	Sensitivity on ECL sensitivity effect on Financial Position			Sensitivity effect on Income
	Stage1	Stage2	Stage3	
PD 1% increase across all age buckets	4,092,987	327,594	-	4,420,581
PD 1% decrease across all age buckets	(4,092,987)	(327,594)	-	(4,420,581)
LGD 5% increase	11,744,628	2,038,397	149,068,704	162,851,729
LGD 5% decrease	(11,744,628)	(2,038,397)	(149,068,704)	(162,851,729)
Probability weighted Economic Scenarios				
Base case 10% increase, worst case 5% increase and best case 5% increase	(32,051)	901	-	(31,150)
Base case 10% increase, worst case 5% increase and best case 5% increase	29,710	(995)	-	28,715

46.6.2 Analysis of inputs to the ECL model under multiple economic scenarios

The Company obtains the data from reliable third party sources such as CBSL, International Monetary Fund and/or World Bank in all instances where such projections are available. The following tables set out the key drivers of expected loss and the assumptions used for the AAF's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 March 2021 and 2022. The tables show the values of key forward looking economic variables/assumptions used in each of the economic Scenarios for the ECL calculations.

As at 31 March 2022	Scenario	Probability Weighted	2022	2021	2020	2019	2018	2017
GDP Growth (%)	Basecase Forecast	50.00%	-1.80%	1.30%	2.70%	3.80%	3.30%	4.50%
	Best Case Forecast	25.00%	-1.80%	1.33%	2.74%	3.84%	3.34%	4.55%
	Worstcase Forecast	25.00%	-1.73%	1.26%	2.64%	3.74%	3.24%	4.42%
Inflation (YoY Average)	Basecase Forecast	50.00%	18.70%	4.20%	4.80%	3.30%	6.60%	4.00%
	Best Case Forecast	25.00%	16.90%	4.06%	4.60%	3.16%	6.30%	3.83%
	Worstcase Forecast	25.00%	18.92%	4.29%	4.94%	3.40%	6.81%	4.11%
Interest Rate (PLR)	Basecase Forecast	50.00%	13.50%	5.75%	10.49%	11.94%	11.33%	11.73%
	Best Case Forecast	25.00%	13.17%	5.58%	10.23%	11.63%	11.05%	11.43%
	Worstcase Forecast	25.00%	13.91%	6.22%	11.18%	12.78%	12.10%	12.54%
Exchange Rate-YE (US\$:LKR)	Basecase Forecast	50.00%	320.00	213.80	191.86	193.64	157.79	154.22
	Best Case Forecast	25.00%	320.00	207.23	182.13	183.59	153.55	150.49
	Worstcase Forecast	25.00%	320.00	250.00	250.00	250.00	218.50	214.14
Unemployment (%) of Labor Force)	Basecase Forecast	50.00%	5.20%	5.20%	4.85%	4.40%	4.20%	4.40%
	Best Case Forecast	25.00%	5.18%	5.18%	4.84%	4.39%	4.19%	4.39%
	Worstcase Forecast	25.00%	5.22%	5.25%	4.88%	4.42%	4.22%	4.42%
As at 31 March 2021	Scenario	Probability Weighted	2022	2021	2020	2019	2018	2017
GDP Growth (%)	Basecase Forecast	50.00%	1.30%	2.70%	3.80%	3.30%	4.50%	5.00%
	Best Case Forecast	25.00%	1.33%	2.74%	3.84%	3.34%	4.55%	5.06%
	Worstcase Forecast	25.00%	1.26%	2.64%	3.74%	3.24%	4.42%	4.91%
Inflation (YoY Average)	Basecase Forecast	50.00%	4.20%	4.80%	3.30%	6.60%	4.00%	2.20%
	Best Case Forecast	25.00%	4.06%	4.60%	3.16%	6.30%	3.83%	2.10%
	Worstcase Forecast	25.00%	4.29%	4.94%	3.40%	6.81%	4.11%	2.27%
Interest Rate (PLR)	Basecase Forecast	50.00%	5.75%	10.49%	11.94%	11.33%	11.73%	7.40%
	Best Case Forecast	25.00%	5.58%	10.23%	11.63%	11.05%	11.43%	7.21%
	Worstcase Forecast	25.00%	6.22%	11.18%	12.78%	12.10%	12.54%	7.93%
Exchange Rate-YE (US\$:LKR)	Basecase Forecast	50.00%	213.80	191.86	193.64	157.79	154.22	147.56
	Best Case Forecast	25.00%	207.23	182.13	183.59	153.55	150.49	144.72
	Worstcase Forecast	25.00%	250.00	250.00	250.00	218.50	214.14	205.93
Unemployment (%) of Labor Force)	Basecase Forecast	50.00%	5.20%	4.85%	4.40%	4.20%	4.40%	4.70%
	Best Case Forecast	25.00%	5.18%	4.84%	4.39%	4.19%	4.39%	4.69%
	Worstcase Forecast	25.00%	5.25%	4.88%	4.42%	4.22%	4.42%	4.73%

Significant Accounting Policies & Notes to the Financial Statements

46.7 Collateral and Other Credit Enhancement

The below table provides an analysis of the current fair values of collateral held and credit enhancements for stage 1 to 3 assets. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

As at March 2022	Maxium Exposure to Credit risk	Fair Value of Collateral under base case Scenario				
		Immovable Collateral	Movable Collateral	Total Collateral	Net Exposure	Associated ECL
Stage 01	10,787,623,522	1,696,941,000	17,057,584,648	18,754,525,648		7,345,057,338
Stage 02	1,398,485,150	430,005,000	1,468,258,229	1,898,263,229		1,849,808,992
Stage 03	5,158,903,967	934,945,000	3,920,149,264	4,855,094,264	303,809,703	5,985,918,461
	17,345,012,641	3,061,891,000	22,445,992,142	25,507,883,142	303,809,703	15,180,784,792

As at March 2021	Maxium Exposure to Credit risk	Fair Value of Collateral under base case Scenario				
		Immovable Collateral	Movable Collateral	Total Colalateral	Net Exposure	Associated ECL
Stage 01	9,143,971,887	2,123,873,875	8,491,918,641	10,615,792,517		5,415,293,783
Stage 02	780,463,807	141,163,589	617,123,600	758,287,188	22,176,619	698,654,202
Stage 03	4,109,559,409	608,395,407	1,672,321,189	2,280,716,596	1,828,842,814	4,392,975,041
	14,033,995,103	2,873,432,870	10,781,363,430	13,654,796,301	1,851,019,432	10,506,923,026

46.8 Concentration of credit risk

AAF manages concentration risk through strategically diversifying the business across industry sectors, products, counterparties and geographies. The Company's Credit Committee defines the limits for these segments and ensures compliance. Further, the Board and RMC monitor these exposures. They also make suggestions and recommendations on modifications to define limits based on the trends and developments shaping the business environment while following Muthoot Group requirements.

The Company's concentration of risk in relation to the lending portfolio is managed by the industry sector which is detailed below:

As at 31 March	31.03.2022	31.03.2021
	Rs.	Rs.
Manufacturing	405,522,390	305,203,819
Transport	147,112,020	100,672,193
Services	552,395,450	579,422,370
Agro-business and fisheries	5,109,599,340	179,312,866
Construction	615,614,450	124,223,827
Commercial trading	779,824,410	607,643,263
Others	9,734,944,581	12,137,516,765
Total lending portfolio	17,345,012,641	14,033,995,103

As at 31 March	31.03.2022	31.03.2021
	Rs.	Rs.
Loans and advances	4,400,821,946	4,967,140,882
Gold Loans	11,686,848,221	6,622,496,772
Lease	1,256,149,473	2,414,730,953
Hire purchase	1,193,001	29,626,496
Total receivables	17,345,012,641	14,033,995,103

Significant Accounting Policies & Notes to the Financial Statements

46.9 Geographical distribution of Loans and Advances

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	31.03.2022			
	Rs.			
	Lease and HP	Gold Loan	Loans and advances	Total
Central	114,966,805	2,805,024,665	204,572,909	3,124,564,379
Eastern	55,875,839	1,881,971,426	207,148,475	2,144,995,740
Northern	75,363,291	3,059,120,887	441,409,609	3,575,893,787
North Western	313,933,164	977,250,816	695,210,085	1,986,394,065
Southern	208,649,275	719,245,229	474,399,290	1,402,293,795
Sabaragamuwa	-	126,451,362	-	126,451,362
Western	488,554,100	1,769,058,772	2,377,808,228	4,635,421,101
Uva	-	348,725,064	273,349	348,998,413
	1,257,342,475	11,686,848,221	4,400,821,946	17,345,012,641

Geographical distribution of Loans and Advances

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	31.03.2021			
	Rs.			
	Lease and HP	Gold Loan	Loans and advances	Total
Central	215,259,163	1,756,980,374	209,589,164	2,181,828,700
Eastern	117,188,904	902,124,504	259,749,378	1,279,062,785
Northern	160,303,053	1,818,254,321	474,412,509	2,452,969,883
North Western	594,442,643	537,179,427	716,806,730	1,848,428,800
Southern	391,459,089	446,934,763	496,509,120	1,334,902,972
Sabaragamuwa	-	87,226,102	-	87,226,102
Western	965,704,597	1,021,927,451	2,810,073,981	4,797,706,030
Uva	-	51,869,832	-	51,869,832
	2,444,357,449	6,622,496,772	4,967,140,882	14,033,995,103

47. COMPARATIVE INFORMATION

Comparative figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

47.1 Significant reclassifications

Statement of Income	As disclosed in 31.03.2021	As reclassified in 31.03.2022	Reclassification
	Rs.	Rs.	Rs.
A. Interest income	2,626,394,467	2,725,047,628	98,653,161
Other operating income (fee and commission income and other operating income)	328,420,134	229,766,973	(98,653,161)
B. Personnel expenses	268,929,048	276,092,770	7,163,721
General and administration expenses	616,439,300	609,275,579	(7,163,721)
Statement of financial position			
C. Other assets	21,637,318	121,313,548	99,676,230
Advances, deposits and prepayments	252,083,660	152,407,430	(99,676,230)
D. Other liabilities	38,147,909	40,308,402	2,160,493
Due to customers	7,013,686,384	7,011,525,892	(2,160,492)

- (a) Gold loan penal interest and interest on early settled contract were included in other income previously and these have been reclassified to interest income.
- (b) Gratuity expenses included in general and administration expenses have been reclassified to personnel expenses for better presentation.
- (c) Deferred expenses amounting to Rs. 121,313,548 included in advances, deposits and prepayments have now been re-classified. On the other hand, input VAT, receivables from staff welfare and government debt relief balances amounting to Rs. 6,354,799, Rs. 37,763 and Rs. 15,244,756 respectively have been re-classified from other assets to advances, deposits and prepayments.
- (d) FD encashment refund amounting to Rs. 2,160,492 has been re-classified from due to customers to other liabilities.

48. ASSESSMENTS RECEIVED BY THE COMPANY

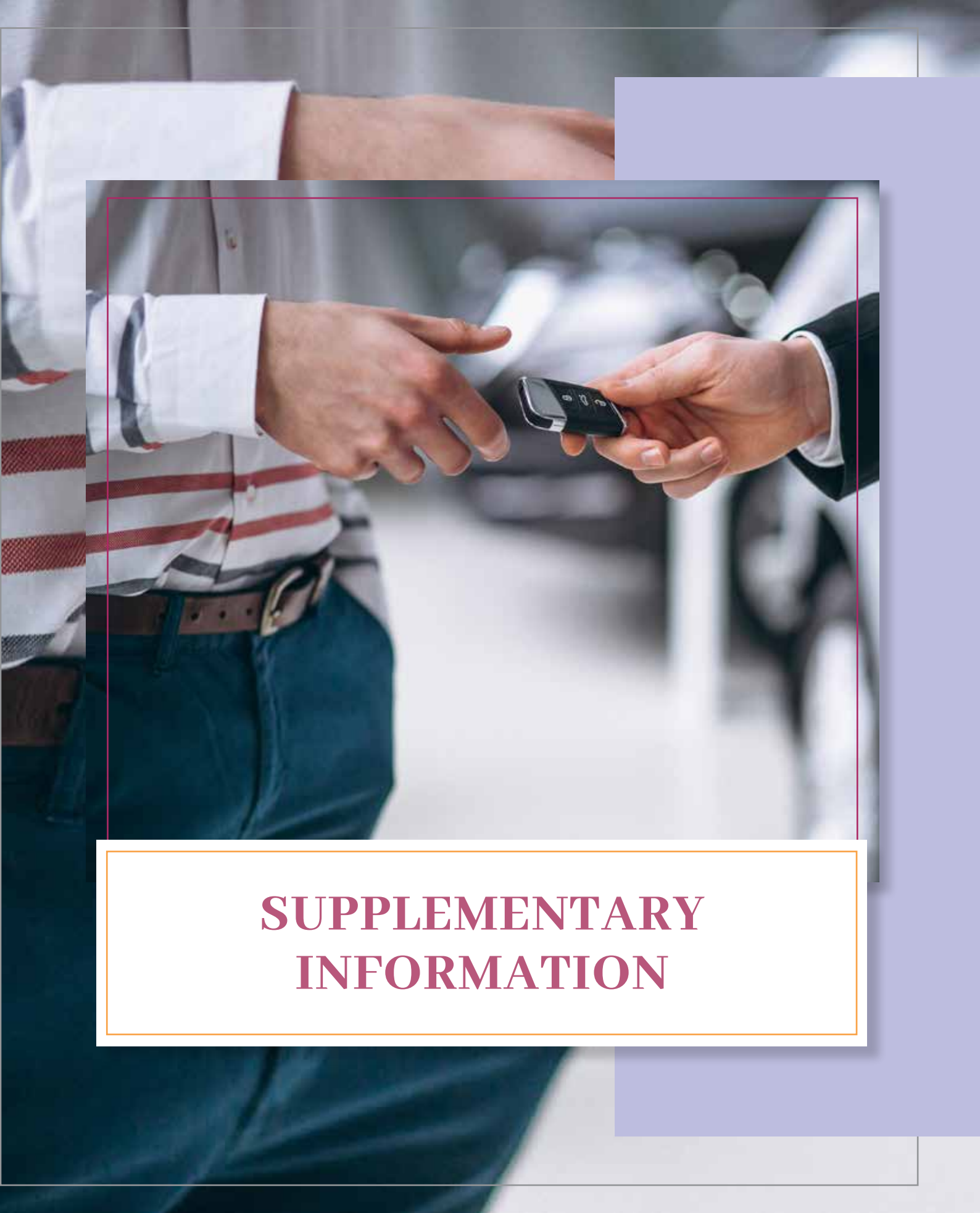
Income tax and VAT assessments received from the Department of Inland Revenue are outstanding as of the reporting date. These assessments have been appealed to Tax Commission and the Commissioner General of Inland Revenue. The Company is confident that these assessments can be successfully defended. As a result, no provisions have been made for these balances.

Significant Accounting Policies & Notes to the Financial Statements

49. EVENTS AFTER THE REPORTING DATE

"Sri Lanka is currently experiencing an economic crisis due to depletion of foreign currency reserves and balance of payments issues. As a result, Most industries, including finance industry face an unprecedented level of challenges for future operations and consequent earnings over the foreseeable future. However, the management is confident that the Company will be able to successfully navigate through the crisis due the strong loan portfolio which comprises mainly on Gold financing and the prudent decision making process which has ensured the stringent cost management of our operations. The strength and the experience of our parent Company is an added comfort to our organization, which will ensure continued support during this challenging period. Therefore, no adjustment is required to the balances reported in these financial statements.

Other than the above, no circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements."



SUPPLEMENTARY INFORMATION

TEN YEAR ACHIEVEMENTS - INCOME STATEMENT

Year ended 31 March	2013	2014	2015	2016
	LKR	LKR	LKR	LKR
Income	626,800,329	768,716,521	923,347,861	1,383,809,503
Interest Income	589,316,038	732,367,042	850,447,095	1,265,001,829
Interest Expenses	(336,876,108)	(437,557,304)	(480,997,160)	(592,688,880)
Net Interest Income	252,439,930	294,809,738	369,449,935	672,312,949
Net Trading Loss on Equity Securities	(2,679,882)	5,684,335	24,610,913	(7,947,048)
Other Income	37,484,291	36,349,479	72,900,766	126,754,722
Net Operating Income	287,244,339	336,843,552	466,961,614	791,120,623
Less: Operating Expenses				
Personnel Costs	(118,289,225)	(123,044,068)	(178,237,431)	(249,869,486)
Provision for Staff Retirement Benefits Cost	(1,516,681)	(1,947,985)	(2,630,870)	(3,123,711)
Other General & Administrative Expenses	(96,156,535)	(138,765,746)	(158,582,482)	(244,947,298)
Reversal / (Provision) of Losses on Loans and Advances	(25,973,097)	(29,886,795)	(24,748,372)	(83,947,606)
Net Profit / (Loss) Before Income Tax Expenses	45,308,801	43,198,958	102,762,459	209,232,522
Income Tax (Charge)/Reversal	16,382,992	3,318,687	(1,576,656)	(34,014,398)
Net Profit / (Loss) after Taxation	61,691,793	46,517,645	101,185,803	175,218,124
Actuarial Loss on Retirement Benefit Liability	(41,739)	(196,156)	(1,049,754)	837,345
Income Tax on Other Comprehensive Income	11,687	54,924	293,931	(234,457)
Other Comprehensive Income for the Year Net of Tax	(30,052)	(141,232)	(755,823)	602,888
Total comprehensive Income for the Year	61,661,741	46,376,413	100,429,980	175,821,012
Earnings per Share	0.11	0.08	0.15	0.21

2017	2018	2019	2020	2021	2022
LKR	LKR	LKR	LKR	LKR	LKR
2,130,607,576	2,572,365,569	2,868,765,978	3,332,619,279	2,954,814,602	3,181,733,450
2,020,556,957	2,443,389,400	2,722,660,945	3,043,709,078	2,725,047,628	2,576,080,611
(919,297,655)	(1,233,214,297)	(1,433,366,344)	(1,704,234,090)	(1,462,362,855)	(1,324,236,290)
1,101,259,302	1,210,175,103	1,289,294,601	1,339,474,988	1,262,684,772	1,251,844,321
2,326,220	(31,406)	(9,220)	(125)		
107,724,399	129,007,575	146,105,033	288,910,201	229,766,974	605,652,840
1,211,309,921	1,339,151,272	1,435,390,414	1,628,385,064	1,492,451,746	1,857,497,160
(335,295,267)	(264,465,472)	(280,796,890)	(310,582,828)	(268,929,048)	(327,268,082)
(4,906,571)	(5,754,935)	(5,272,963)	(7,041,239)	(7,163,721)	(6,051,551)
(327,883,585)	(513,394,290)	(633,317,428)	(782,395,544)	(746,670,914)	(828,990,923)
(227,348,081)	(333,396,606)	(357,620,797)	(381,645,114)	(382,940,886)	(492,904,300)
315,876,417	222,139,969	158,382,336	146,720,339	86,747,176	202,282,304
(37,827,608)	(43,914,542)	(64,475,297)	(76,566,973)	(41,551,058)	(84,279,432)
278,048,809	178,225,427	93,907,039	70,153,366	45,196,118	118,002,872
(2,100,296)	3,554,897	7,022,779	(2,075,633)	4,379,407	1,164,300
(588,083)	(995,371)	(920,685)	(498,152)	1,051,058	279,432
(2,688,379)	2,559,526	6,102,094	(2,573,785)	5,430,465	1,443,732
275,360,430	180,784,953	100,009,132.99	67,579,581	50,626,583	119,446,604
0.33	2.12	0.94	0.57	0.36	0.95

TEN YEAR ACHIEVEMENTS - BALANCE SHEET

Year ended 31 March	31.03.2013	31.03.2014	31.03.2015	31.03.2016
	LKR	LKR	LKR	LKR
ASSETS				
Cash & Cash Equivalents	193,568,463	229,616,166	446,524,236	690,797,870
Investment in Reverse Repurchase Agreements against Treasury Bills	129,938,359	184,467,915	259,698,505	328,866,266
Other Financial Assets	242,652,390	112,059,685	9,254,835	8,817,330
Financial Asset -Held for Trading	6,775,855	81,008,250	69,263,955	48,244,689
Loans & Advances Including Lease Rentals Receivables and Hirepurchase	2,501,348,943	2,994,869,411	4,137,897,770	6,527,840,413
Financial Asset-Available for Sale	578,617	578,617	578,617	506,659
Vehicle Stock	8,755,453	8,928,571	46,797,426	-
Real Estate Inventories	-	-	41,698,793	34,468,475
Other Debtors ,Deposits & Prepayments	92,641,825	84,251,334	71,228,510	75,137,577
Income Tax Receivable	6,252,769	3,870,578	3,472,184	-
Property, Plant & Equipment	57,152,755	53,733,373	79,304,388	156,612,515
Investment Property	32,934,517	98,352,117	80,842,794	143,706,564
Deffered Tax Asset	77,714,479	88,626,969	97,845,584	100,402,344
Right - of - Use asset on leases	3,350,314,425	3,940,362,986	5,344,407,597	8,115,400,702
LIABILITIES & EQUITY				
Liabilities				
Customer Deposits	2,591,165,554	3,033,741,505	3,672,180,230	4,796,299,899
Bank Overdraft	1,950	78,787,246	62,326	166,925,303
Borrowings	48,544,214	64,106,983	344,516,666	1,609,833,175
Creditors & Accruals	14,201,207	15,548,199	31,553,729	68,455,301
Retirement Benefits Obligation	4,802,457	6,703,598	10,384,222	12,355,588
Subordinated liabilities				
Lease liability	2,658,715,382	3,198,887,531	4,058,697,173	6,653,869,266
Shareholders' Funds				
Stated Capital	945,130,285	945,130,285	1,388,935,273	1,388,935,273
Reserves	(253,531,242)	(203,654,830)	(103,224,849)	72,596,163
Total Equity	691,599,043	741,475,455	1,285,710,424	1,461,531,436
Total Equity and Liability	3,350,314,425	3,940,362,986	5,344,407,597	8,115,400,702
Contingent Liabilities and commitments				
Net Asset per Share	1.24	1.33	1.53	1.74

Figures in brackets indicate deductions

Certification

The Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

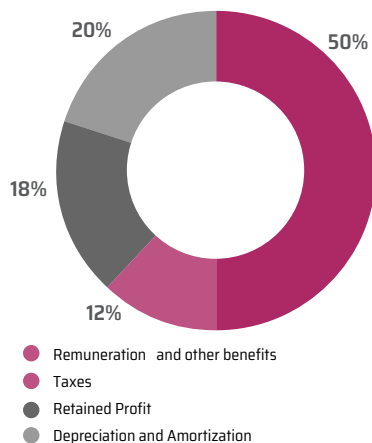
31.03.2017	31.03.2018	31.03.2019	31.03.2020	31.03.2021	31.03.2022
LKR	LKR	LKR	LKR	LKR	LKR
601,891,827	660,159,119	643,777,198	511,939,133	1,004,439,250	1,397,632,551
433,333,648	622,975,267	691,744,740	860,630,696	654,692,844	989,433,452
50,204,691	207,458,481	125	-	-	-
-	-	-	-	-	-
8,263,046,222	9,528,388,590	11,556,026,398	12,639,536,352	12,410,797,757	15,813,299,649
506,659	506,659	506,659	506,659	506,659	506,659
	262,088	18,913,569	-	(0)	
			-		
80,386,384	83,535,832	171,667,000	173,173,036	275,850,871	227,670,130
	362,927	3,732,303	27,736,580	27,698,763	27,698,763
173,110,135	158,845,214	169,724,190	178,252,821	197,387,965	228,572,088
306,253,164	352,385,530	393,818,513	399,678,109	376,158,647	359,055,285
118,202,709	112,814,714	249,583,725	225,922,647	185,422,647	101,422,647
			137,210,457	217,810,352	196,496,795
10,026,935,439	11,727,694,421	13,899,494,420	15,154,586,490	15,350,765,754	19,341,788,018
5,681,178,140	6,356,067,246	6,617,344,955.00	6,585,234,705	7,011,525,892.37	8,695,180,272.13
36,031,902	454,920,306	131,273,907.00	58,777,776	24,279,288.86	38,990,640.41
2,476,518,223	3,001,078,792	4,958,735,615.01	6,086,325,326	4,778,758,725.54	5,458,426,482.00
77,540,353	36,650,813	217,163,369.00	96,622,133	40,644,065.97	80,227,350.69
18,774,955	20,044,993	22,088,492.00	29,972,764	30,135,378.00	32,796,379.35
			-	1,029,465,109.25	2,072,877,341.04
			126,200,873	213,877,899.00	207,778,443.52
8,290,043,573	9,868,762,150	11,946,606,338.01	12,983,133,677	13,128,686,359.00	16,586,276,909.15
1,388,935,273	1,388,935,273	1,640,493,541.00	1,791,478,691	1,791,478,691.00	2,205,463,801.00
347,956,593	469,996,998	312,394,541.00	379,974,122	430,600,703.68	550,047,307.60
1,736,891,866	1,858,932,271	1,952,888,082	2,171,452,813	2,222,079,395	2,755,511,109
10,026,935,439	11,727,694,421	13,899,494,420	15,154,586,490	15,350,765,754	19,341,788,018
2.07	2.22	18.18	17.50	17.89	22.19

STATEMENT OF VALUE ADDED

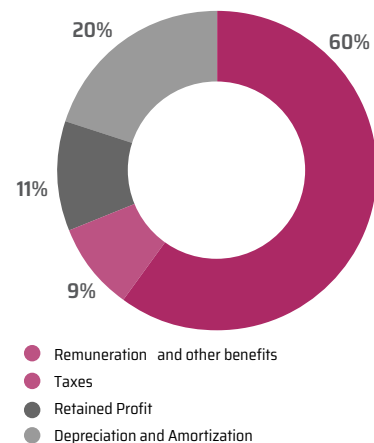
	31.03.2022	31.03.2021
	Rs. %	Rs. %
Income	3,181,733,450	2,954,814,601
Other Income	288,910,326	229,766,974
Cost of borrowing and services	(1,324,236,290)	(1,462,362,855)
Provisions	(492,904,300)	(382,940,885)
Value Added Tax	(36,500,000)	(45,100,000)
	1,617,003,186	1,294,177,835

	31.03.2022	31.03.2021
	Rs. %	Rs. %
Distribution Value Added		
To employees		
Remuneration and other benefits	333,319,633 50	276,092,769 60
To Government		
Taxes	84,279,432 13	41,551,058 9
To Expansion and Growth		
Retained Profit	119,446,603 18	50,626,582 11
Depreciation and Amortization	134,072,718 20	92,295,335 20
	671,118,388 100	460,565,745 1.0

Value Added As at 2022



Value Added As at 2021



SOURCES AND UTILISATION OF INCOME

Sources of Income	2017	2018	2019	2020	2021	2022
Interest	2,020,556,957	2,443,389,400	2,722,660,945	3,043,709,078	2,725,047,628	2,576,080,611
Non interest income	107,724,399	129,007,575	146,105,033	288,910,201	229,766,974	605,652,840
Total	2,128,281,356	2,572,396,975	2,868,765,978	3,332,619,279	2,954,814,602	3,181,733,450
Utilisation of Income						
Employees						
Salaries and other payment to staff	340,201,838	270,220,407	286,069,853	317,624,067	276,092,770	333,319,633
Suppliers and providers of funding						
Interest paid	919,297,654	1,233,214,297	1,433,366,344	1,704,234,090	1,462,362,855	1,324,236,290
Other expenses	321,213,825	404,471,801	582,310,816	701,426,576	609,275,579	659,397,637
Provisions and depreciation						
Depreciation and amortisation	34,009,748	45,161,382	51,006,612	80,968,968	92,295,335	134,072,718
Impairment for loans and other losses	227,348,081	333,396,606	357,620,797	381,645,114	382,940,886	492,904,300
Net Income before Government						
Taxes and Levies						
Income Tax, VAT, SGT, NBT, Crop Insurance, DRL(Incl Deferred Tax	96,257,112	108,671,020	58,373,203	79,140,758	86,651,058	120,779,432
Shareholders						
Dividends - Cheque	-	58,744,548	-	-	-	-
Retained profits	275,360,430	180,784,953	100,009,133	67,579,581	50,626,583	119,446,603

QUARTERLY FINANCIAL STATEMENTS 2020/21

STATEMENT OF COMPREHENSIVE INCOME 2020/21	For the quarter ended			
	30.06.2020	30.09.2020	31.12.2020	31.03.2021
	LKR	LKR	LKR	LKR
Interest Income	677,167,628	730,610,742	666,092,613	656,798,407
Interest Expenses	(407,421,842)	(365,507,204)	(364,563,148)	(324,265,344)
Net Interest Income	269,745,786	365,103,538	301,529,465	332,533,063
Other Operating Income	20,229,664	29,037,671	43,892,186	131,006,389
Less: Operating Expenses				
Personnel Costs	(57,682,085)	(57,227,967)	(95,307,909)	(80,242,452)
Provision for Staff Retirement Benefits	(2,100,000)	(2,100,000)	(2,100,000)	(863,721)
General and Administration Expenses	(149,419,792)	(184,734,912)	(128,362,453)	(218,148,405)
Impairment Charge for Lease Rentals Receivable, Hire Purchase and Loans and Advances	(87,705,268)	(96,895,833)	(88,012,534)	(110,327,251)
Operating Profit Before Value Added Tax on Financial Services	(6,931,695)	53,182,496	31,638,755	53,957,623
Value Added Tax on Financial Services	(10,000,000)	(15,000,000)	(7,800,000)	(12,300,000)
Profit Before Taxation	(16,931,695)	38,182,496	23,838,755	41,657,623
Income Tax (Expenses) / Reversal	-	(20,000,000)	(7,500,000)	(14,051,058)
Profit for the Period	(16,931,695)	18,182,496	16,338,755	27,606,565
Actuarial Loss on Retirement Benefit Liability	-	-	-	4,379,407
Income Tax on Components of Other Comprehensive Income	-	-	-	1,051,058
Other Comprehensive Income for the Period Net of Tax	-	-	-	5,430,465
Total Comprehensive Income for the Period	(16,931,695)	18,182,496	16,338,755	33,037,030
Earnings Per Share - Basic	(0.14)	0.15	0.13	0.22

STATEMENT OF FINANCIAL POSITION	For the quarter ended			
	30.06.2020	30.09.2020	31.12.2020	31.03.2021
	LKR	LKR	LKR	LKR
ASSETS				
Cash and Cash Equivalents	621,191,641	766,920,748	662,542,659	1,006,233,476
Investment in Reverse Repurchase Agreements Against Treasury Bills and Bonds	729,884,714	1,228,511,946	1,683,174,872	654,692,844
Financial assets at amortized cost - Loans and advances	8,510,867,688	8,505,400,303	9,201,993,005	10,198,262,863
Financial assets at amortized cost - Lease rentals receivable and hire purchase	3,687,524,248	3,088,786,379	2,631,091,185	2,212,534,894
Other Assets	17,024,632	14,818,751	63,677,254	21,637,319
Income Tax Receivable	27,698,764	27,698,763	27,698,763	27,698,763
Advances, Deposits and Prepayments	139,464,145	141,330,875	137,795,735	252,083,662
Financial assets - Fair value through other comprehensive income	506,659	506,659	506,659	506,659
Right-of-use assets	128,388,167	120,023,114	155,682,114	217,810,352
Property, Plant and Equipment	129,428,258	114,435,058	136,825,552	156,436,174
Investment Property	399,713,108	396,038,269	396,038,269	376,158,647
Deferred Tax Assets	225,922,647	205,922,647	198,422,647	185,422,647
Intangible Assets	38,606,076	38,286,911	37,174,889	40,951,790
Total Assets	14,656,220,749	14,648,680,426	15,332,623,603	15,350,430,089
LIABILITIES				
Financial liabilities - Due to banks	63,066,239	89,437,464	150,035,389	24,279,289
Other Liabilities	27,169,168	32,784,949	1,037,344,614	38,147,909
Financial liabilities - Other borrowed funds	5,519,161,383	5,682,453,265	5,288,656,218	4,778,758,726
Lease liability	125,015,545	121,865,689	152,614,105	213,877,898
Due to Customers	6,735,214,431	6,516,987,831	6,481,055,796	7,013,686,384
Subordinated Liabilities	-	-	-	1,029,465,109
Retirement Benefit Liability	32,072,864	32,447,614	33,875,114	30,135,378
Total Liabilities	12,501,699,631	12,475,976,812	13,143,581,235	13,128,350,693
SHAREHOLDERS' FUNDS				
Stated Capital	1,791,478,691	1,791,478,691	1,791,478,691	1,791,478,691
Retained Earnings	286,276,074	304,458,570	320,797,324	351,303,022
Statutory Reserve Fund and Other Reserves	76,766,353	76,766,353	76,766,353	79,297,682
Total Equity	2,154,521,118	2,172,703,614	2,189,042,368	2,222,079,396
Total Equity and Liabilities	14,656,220,749	14,648,680,426	15,332,623,603	15,350,430,089
Net Assets Per Share	17.35	17.49	17.63	17.89

Figures in brackets indicate deductions.

Quarterly Financial Statements 2020/21

ORDINARY SHARE

Market Value of Shares	30.06.2020	30.09.2020	31.12.2020	31.03.2021
Highest Traded Price	6.90	10.50	9.70	9.10
Lowest Traded Price	4.80	5.30	7.50	5.50
Closing Price	5.30	9.00	9.10	5.60
Total No of Shares	124,195,533.00	124,195,533.00	124,195,533.00	124,195,533.00

Ordinary Shares held by public as at	30.06.2020	30.09.2020	31.12.2020	31.03.2021
No of Shareholders	2,242.00	2,333.00	2,174.00	2,221.00
% of Shareholding	26.97%	27.04%	27.03%	27.08%

PREFERENCE SHARES

	30.06.2020	30.09.2020	31.12.2020	31.03.2021
Total No of Shares	N/A	N/A	N/A	N/A

Preference Shares held by public as at	30.06.2020	30.09.2020	31.12.2020	31.03.2021
No of Shareholders	N/A	N/A	N/A	N/A
% of Shareholding	N/A	N/A	N/A	N/A

QUARTERLY FINANCIAL STATEMENTS 2021/22

STATEMENT OF COMPREHENSIVE INCOME 2021/22	For the quarter ended			
	30.06.2021	30.09.2021	31.12.2021	31.03.2022
	LKR	LKR	LKR	LKR
Interest Income	561,546,970	585,366,635	647,421,642	675,563,513
Interest Expenses	(319,269,286)	(319,522,919)	(329,762,360)	(355,996,304)
Net Interest Income	242,277,684	265,843,716	317,659,282	319,567,209
Net Trading Gain/(Loss) on Equity Securities	-	-	-	-
Other Operating Income	116,613,437	166,689,296	182,955,444	243,806,612
Less: Operating Expenses				
Personnel Costs	(71,035,601)	(77,519,596)	(81,087,040)	(98,819,753)
Provision for Staff Retirement Benefits	(2,100,000)	(1,500,000)	(1,200,000)	(57,644)
General and Administration Expenses	(177,997,093)	(189,243,827)	(206,039,128)	(217,223,729)
Impairment Charge for Lease Rentals Receivable, Hire Purchase and Loans and Advances	(65,045,826)	(114,858,430)	(137,561,620)	(175,438,424)
Operating Profit before Value Added Tax on Financial Services	42,712,601	49,411,159	74,726,937	71,834,271
Value Added Tax on Financial Services	(15,000,000)	(6,500,000)	(9,000,000)	(6,000,000)
Profit Before Taxation	27,712,601	42,911,159	65,726,937	65,834,271
Income Tax (Expenses) / Reversal	(18,000,000)	(18,000,000)	(26,000,000)	(22,279,432)
Profit for the Period	9,712,601	24,911,159	39,726,937	43,554,839
Actuarial Loss on Retirement Benefit Liability	-	-	-	1,164,300
Income Tax on Components of Other Comprehensive Income	-	-	-	279,432
Other Comprehensive Income for the Period Net of Tax	-	-	-	1,443,732
Total Comprehensive Income for the Period	9,712,601	24,911,159	39,726,937	44,998,572
Earnings Per Share - Basic	0.08	0.20	0.32	0.35

Quarterly Financial Statements 2021/22

STATEMENT OF FINANCIAL POSITION 2021/22	For the quarter ended			
	30.06.2021	30.09.2021	31.12.2021	31.03.2022
	LKR	LKR	LKR	LKR
ASSETS				
Cash and Cash Equivalents	1,505,297,729	1,589,684,144	1,221,227,168	1,397,632,551
Investment in Reverse Repurchase Agreements Against Treasury Bills and Bonds	662,637,724	1,615,778,416	970,854,778	989,433,452
Financial assets at amortized cost - Loans and advances	10,717,812,010	11,767,447,655	13,093,133,328	14,740,388,540
Financial assets at amortized cost - Lease rentals receivable and hire purchase	1,914,285,696	1,592,612,366	1,332,011,846	1,072,911,109
Other Assets	12,557,390	3,154,182	42,265	123,152,103
Income Tax Receivable	26,914,725	27,698,763	27,698,763	27,698,763
Advances, Deposits and Prepayments	259,565,178	199,573,600	179,601,877	104,518,027
Financial assets - Fair value through other comprehensive income	506,659	506,659	506,659	506,659
Right-of-use assets	214,998,917	194,913,240	195,692,102	196,496,795
Property, Plant and Equipment	155,279,426	154,098,308	166,695,287	184,377,808
Investment Property	376,158,648	367,158,647	367,158,647	359,055,285
Deferred Tax Assets	168,206,685	149,422,647	123,422,647	101,422,647
Intangible Assets	46,185,693	46,886,850	46,363,130	44,194,279
Total Assets	16,060,406,479	17,708,935,477	17,724,408,498	19,341,788,018
LIABILITIES				
Financial liabilities - Due to banks	20,592,220	27,613,532	31,064,312	38,990,640
Other Liabilities	32,467,366	27,231,777	48,808,926	80,227,351
Financial liabilities - Other borrowed funds	4,380,195,720	4,218,762,652	4,482,304,516	5,458,426,482
Lease liability	213,861,988	200,026,904	202,996,930	207,875,779
Due to Customers	8,095,016,620	8,452,616,899	8,190,949,805	8,695,180,272
Subordinated Liabilities	1,054,245,190	2,079,705,320	2,024,783,676	2,072,877,340
Retirement Benefit Liability	32,235,378	32,290,128	33,085,128	32,796,379
Total Liabilities	13,828,614,482	15,038,247,212	15,013,993,294	16,586,374,244
SHAREHOLDERS' FUNDS				
Stated Capital	1,791,478,691	2,205,463,801	2,205,463,801	2,205,463,801
Retained Earnings	361,015,623	385,926,782	425,653,722	464,684,828
Statutory Reserve Fund and Other Reserves	79,297,682	79,297,682	79,297,682	85,265,146
Total Equity	2,231,791,996	2,670,688,265	2,710,415,205	2,755,413,775
Total Equity and Liabilities	16,060,406,479	17,708,935,477	17,724,408,499	19,341,788,018
Net Assets Per Share	17.97	21.50	21.82	22.19

Figures in brackets indicate deductions.

ORDINARY SHARE

Market Value of Shares	30.06.2021	30.09.2021	31.12.2021	31.03.2022
Highest Traded Price	8.3	9.8	9.4	11
Lowest Traded Price	5.8	7	7.3	5.4
Closing Price	7.5	7.7	8.4	6.7
Total No of Shares	124,195,533.00	124,195,533.00	124,195,533.00	124,195,533.00

Ordinary Shares held by public as at	30.06.2021	30.09.2021	31.12.2021	31.03.2022
No of Shareholders	2,153.00	2,088.00	2,066.00	2,107.00
% of Shareholding	27.08%	27.08%	27.04%	27.08%

PREFERENCE SHARES

	30.06.2021	30.09.2021	31.12.2021	31.03.2022
Total No of Shares	N/A	41,398,511.00	41,398,511.00	41,398,511.00

Preference Shares held by public as at	30.06.2021	30.09.2021	31.12.2021	31.03.2022
No of Shareholders	N/A	68.00	76.00	73.00
% of Shareholding	N/A	4.13%	4.13%	4.13%

STATEMENT OF FINANCIALS IN US DOLLARS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	31.03.2022	31.03.2021	Change
	US\$	US\$	%
Interest income	8,586,935	13,625,238	37%
Less: Interest expenses	(4,414,121)	(7,311,814)	40%
Net Interest income	4,172,814	6,313,424	-34%
Fees and Commision Income	1,971,890	1,067,328	85%
Other operating income	46,953	81,506	-42%
Less: Operating expenses			
Personnel expenses	(1,111,065)	(1,380,464)	20%
Depreciation and Amortization Cost	(446,909)	(461,477)	3%
General and administration expenses	(2,194,727)	(3,046,378)	28%
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(1,643,014)	(1,914,704)	14%
Operating profit before value added tax on financial services	795,941	659,236	21%
Value added tax on financial services	(121,667)	(225,500)	46%
Profit before income tax	674,274	433,736	55%
Income tax expenses	(280,931)	(207,755)	-35%
Profit for the year	393,343	225,981	74%
Actuarial loss on retirement benefit liability	3,881	21,897	-82%
Deferred tax effect on components of other comprehensive income	931	5,255	-82%
Other comprehensive expense for the year net of tax	4,812	27,152	-82%
Total comprehensive income for the year	398,155	253,133	57%

* Figures in brackets indicate deductions.

Exchange Rate: 1 USD was LKR 300 as at 31 March 2022 (LKR 200 as at 31March 2021)

The Income Statement and Statement of Financial Position given on pages 112 and 115 are solely for the convenience of shareholders, investors and other users of Financial Statements.

Colombo

STATEMENT OF FINANCIAL POSITION

	31.03.2022	31.03.2021	Change
	US\$	US\$	%
ASSETS			
Cash and cash equivalents	4,658,775	5,022,196	-7%
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	3,298,112	3,273,464	1%
Financial assets at amortized cost - Loans and advances	49,097,274	50,991,314	-4%
Financial assets at amortized cost - Lease rentals receivable and hire purchase	3,613,725	11,062,674	-67%
Other assets	410,507	606,568	-32%
Income tax receivable	92,329	138,494	-33%
Advances, deposits and prepayments	348,393	772,687	-55%
Financial assets - Fair value through other comprehensive income / available for sale	1,689	2,533	-33%
Property, plant and equipment	614,593	782,181	-21%
Right-of-use assets	654,989	1,089,052	-40%
Investment property	1,196,851	1,880,793	-36%
Deferred tax assets	338,075	927,113	-64%
Intangible assets	147,314	204,759	-28%
Total assets	64,472,627	76,753,829	-16%
LIABILITIES			
Financial liabilities - Due to banks	129,969	121,396	7%
Other liabilities	267,425	203,220	32%
Current tax liabilities	-	-	
Financial liabilities - Other borrowed funds	18,194,755	23,893,794	-24%
Lease liability	692,595	1,069,389	-35%
Due to customers	28,983,934	35,057,629	-17%
Debenture	6,909,591	5,147,326	34%
Retirement benefit obligation	109,321	150,677	-27%
Total liabilities	55,287,590	65,643,432	-16%
EQUITY			
Stated capital	7,351,546	8,957,393	-18%
Retained earnings	1,549,258	1,756,515	-12%
Statutory reserve fund and other reserves	284,233	396,488	-28%
Total equity	9,185,037	11,110,397	-17%
Total equity and liabilities	64,472,627	76,753,829	-16%

Figures in brackets indicate deductions.

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 attributble to ordinary shareholders/average share holder equity
Earning yield%	Earning per share/Market Price pershare
Debt to Equity ratio (Times)	borrowings/total share holder equity
Interest Cover (Times)	PBIT/Intersest Expenses
Current ratio	Current assets/Current Liabilities
Gross non performing advances ratio %	Non Performing portfolios net of IIS and unearned income/gross portolio net of iis and UI
Collective impairment to total loans	collective impairment/gross loans receivable
Operating profit	operting profit before VAT ON FS/INTEREST INCOME
Net Interest Margin %	Net Interest Income/Average Interest Earning Assets

FINANCIAL CALENDAR 2021/22

Annual General Meetings	Date	Due Date
11th Annual General Meeting	9/20/2022	9/30/2022

Interim Financial Statements	"Date released tot he CSE"	Due Date
1st Quarter ended 30th June 2021	8/11/2021	8/15/2021
2nd Quarter ended 30th September 2021	11/16/2021	11/15/2021
3rd Quarter ended 31st December 2021	1/28/2022	2/15/2022
4th Quarter ended 31st March 2022	4/19/2022	5/31/2022

Newspapers Publications	"Date published in Newspapers (in Sinhala, English & Tamil)"	Due Date
Half Year Publications of Financial Statements - 1st half of year 2021/22		
Sinhala	11/29/2021	11/30/2021
English	11/29/2021	11/30/2021
Tamil	11/29/2021	11/30/2021
Half Year Publications of Financial Statements - 2nd half of year 2021/22		
Sinhala	6/22/2022	6/30/2022
English	6/22/2022	6/30/2022
Tamil	6/22/2022	6/30/2022

Annual Financial Statements	"Date released to the CSE"	Due Date
Annual Financial Statements for 2021/22	6/16/2022	6/30/2022

GLOSSARY OF FINANCIAL TERMS

A

ACCOUNTING POLICIES

The specific principles, rules and practices followed by management entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

Transaction is recorded that the entity for income and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

ALLOWANCE FOR IMPAIRMENT

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

Amortization

Amortised cost Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any deduction for impairment or uncollectability.

Actuarial valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets and other relevant costs and values.

ASSET AND LIABILITY COMMITTEE (ALCO)

The committee that is responsible for managing assets and liabilities of the Company.

C

CAPITAL ADEQUACY RATIO

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOWS

Cash equivalents are short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value.

COLLECTIVE IMPAIRMENT

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at the reporting date.

COMMITMENTS

Credit facilities approved but not yet utilised by the clients as at the reporting date.

Compounded annual growth rate (CAGR) The rate at which it would have grown if it grew at an even rate compounded annually.

CONTINGENCIES

A condition or situation existing at reporting date where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

COST METHOD

A method of accounting where by the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profiles of the investee rising subsequent to the date of acquisition.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

CORPORATE SUSTAINABILITY

Business approach that creates longterm consumer and employee value by creating a 'green' strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural and economic environment.

COST TO INCOME RATIO

Operating expenses excluding impairment charge/gold loan auction losses as a percentage of total operating income (net of interest expenses).

CREDIT RATING

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

Risk of financial loss, if a customer or counterparty fails to meet an obligation under a contrac

CREDIT RISK MITIGATION

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigates such as collateral, guarantee and credit protection.

CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

D

DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

Removal of a previously recognised financial asset or liability from an entity's Statement of Financial Position.

DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

E

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's earnings attributable to an ordinary share in issue.

EFFECTIVE INTEREST RATE (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability. **EFFECTIVE TAX RATE** Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

EVENTS AFTER THE REPORTING PERIOD

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to the contingencies and commitments.

EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

F

FAIR VALUE

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that is held-for trading or upon initial recognition designated by the entity as fair value through profit or loss.

FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all risks and rewards of ownership to the lessee.

FINANCIAL ASSETS

Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

FINANCIAL LIABILITIES

A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

G

GOING CONCERN

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

GROSS DIVIDEND

The proportion of profit distributed to shareholders including the tax withheld.

Glossary of Financial Terms

GUARANTEES

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation

H

HIRE PURCHASE

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

IMPAIRED LOANS

Impaired loans are loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

IMPAIRMENT CHARGE/(REVERSAL)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

INDIVIDUAL IMPAIRMENT

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

INDIVIDUAL SIGNIFICANT LOANS

Exposures which are above a certain threshold decided by the management which should be assessed for objective evidence, measurement and recognition of impairment on an individual basis.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

INTEGRATED REPORTING

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

INTEREST COVER

Earnings before interest and taxes divided by interest cost. This indicates the number of times interest expenses is covered by earnings before interest and tax; ability to cover interest expenses.

INTEREST SPREAD

Represents the difference between the average interest rate earned on average interest earning assets and the average interest rate paid on average interest bearing liabilities.

K

KEY MANAGEMENT PERSONNEL (KMP)

People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

L

LENDING PORTFOLIO

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily.

LOSS GIVEN DEFAULT (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

LOAN TO VALUE RATIO (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

M

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statement.

N

NET ASSETS VALUE PER SHARE (NAV)

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between interest income earned from interest earning assets and interest expenses incurred on interestbearing liabilities.

NET INTEREST MARGIN (NIM)

Net interest income expressed as a percentage of average interest earning assets.

NON-PERFORMING LOANS/ ADVANCES (NPL)

The aggregate value of the advances portfolio that has been delinquent for a period of more than six months.

NON-PERFORMING LOANS COVER

Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense)

NPL RATIO

Total non-performing loans as a percentage of the total lending portfolio.

O

OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share; reflects number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

PROBABILITY OF DEFAULT (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

R

RELATED PARTY

Parties have the ability to control or exert a significant influence over the company's financial and operating decisions.

RETURN ON ASSETS (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

RETURN ON EQUITY (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average shareholders' funds/ equity. REPURCHASE AGREEMENT (REPO) Contract to sell and subsequently repurchase government securities at a specified date and price.

RISK-WEIGHTED ASSETS

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital and revenue reserves.

Glossary of Financial Terms

T

TIER I CAPITAL

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

TIER II CAPITAL Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

TOTAL SHAREHOLDER RETURN

Combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

U

USEFUL LIFE

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

VALUE ADDED

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

YIELD TO MATURITY

Discount rate at which the present value of future cash flows would equals the security's current price.

BRANCH NETWORK

No	Branch Name	Branch Address	Phone No
1	Head Office	No. 76, Park Street, Colombo 2	117699000
2	Negombo	No 17 1/1, Station Road, Negombo.	315678988
3	Gampaha	No. 69, Colombo Road, Gampaha	335623220
4	Galle	No74,DewamittaMawatha,ChinaGarden,Galle	915633002
5	Moratuwa	No 16, New De Soysa road, Rawathawatta, Moratuwa	115111333
6	Batticaloa	No 187, Trincomali Road, Batticaloa	655672211
7	Jaffna	No.56/22, Stanley Road, Jaffna	215671804
8	Kilinochchi	No: 141, Anandapuram, A9 road, Killinochchi	215671140
9	Kurunegala	No 34, Surathissa Mawatha, Kurunegala	375628681
10	Wennappuwa	No 716, Negombo Road, Katuneriya	315675608
11	Matara	521,Anagrika Dharmapala Mw,Paburana,Matara	415720720
12	Chavakachcheri	No.04, A9 Road, Chavakachcheri.	215111333
13	Point Pedro	No.374B Main Street, Point Pedro.	215700700
14	Digana	J/2005 11/02. Rajawela Digana.	815111335
15	Hatton	No.101, Main Street,Hatton	515111223
16	Chenkalady	New Market Road,Chenkaladi	652054393
17	Chilaw	39, Colombo Road,Chilaw	325112223
18	Thalawakele	No. 8/02, Nuwara Eliya Road, Thalawakele	515115459
19	Gampola	No. 63, Nuwara Eliya Road, Gampola	815275988
20	Ragala	No. 67, Main Street, Ragala,Halgranoya	515111223
21	Nawalapitiya	No. 75, Ambagamuwa Road, Nawalapitiya	544922792
22	Chunnakam	No. 15, Station Road, Chunnakam	215675007
23	Puthukudiyiruppu	No.02, Paranthan Road, Puthukkudiyiruppu	215778151
24	Kalmuni	No. 69, Main Street, Kalmuni	675202811
25	Mullaitivu	Main Street, Mullaitivu	212291999
26	Matale	No. 242, Main Street, Matale	665884444
27	Kegalle	No. 245, Main Street, Kegalle	355100020
28	Sammanthurai	No. 120, Ampara Road, Sammanthurai	675202811
29	Akkaraipattu	No. 155, Ampara Road, Akkaraipattu 8/2	675677052
30	Valaichchenai	Main Street, Valachchenai	652258808

Branch Network

No	Branch Name	Branch Address	Phone No
31	Vavuniya	No. 156, Kandy Road, Vavuniya	242227444
32	Oddusuddan	Mullaitivu, Main Street, Vidyapuram, Oddusuddan	212291880
33	Changani	Mahan Thanga Plaza.	215677037
34	Nelliady	No.16, Mahathma Road, Ward No 08, Nelliady.	212265285
35	Beruwala	No. 199, Jayathu, Galle Road, Beruwala	347699030
36	Pundaluoya	Samanala Grocery, Ihala Kade Veediya, Pundaluoya	705979234
37	Mathugama	K & W Centre, No.5,Gamini Mawatha, Aluthgama Road, Mathugama	347699020
38	Udappuwa	No. 75, Division 2, Udappuwa	327699030
39	Monaragala	No.2 3, Dutugemunu Road, Monaragala	557699020
40	Trincomalee	No.285, Central Road, Trincomalee	267699020
41	Kinniya	No. 88, Main Street , Sinna Kinniya, Kinniya 03	267699030
42	Mahiyanganaya	No 23, New Town, Mahiyanganaya	557699030
43	Puttalam	No.61, Kurunegala Road, Puttalam	327699010
44	Kalawanchikudi	No.285, Main Road, Kalawanchikudi	775823873
45	Badulla	No.49, Cocowatta Road, Badulla	552220002
46	Kalpitiya	Main Street, Kalpiriya	327699020
47	Maskeliya	No: 244,Main Street, Maskeliya	527699010
48	Velanai	Vagalavadi, Velani	217699020
49	Panadura	No.114, D S Senanayake Mawatha, Panadura	387699010
50	Mannar	No :5, First Cross Street, Petha, Mannar	237699010
51	Katugastota	No 144, Kurunegala Road, Katugastota	817699010
52	Naula	No. 26/3, Dambulla Road, Naula	667699010
53	Katugasthota	No: 144, Kurunegala Road, Katugastota	817699010
54	Wattegama	No: 55, Main Street, Wattegama	817699025
55	Pusellawa	No: 428, Madampitiya Road, Colombo 14	817699020
56	Bogawanthalawa	No: 90, Bridwel Bazar, Bogawanthalawa	527699202
57	Kalutara (SC)	No 344,Kaluthara South	345703944
58	Kotahena (SC)	No 31, Kotahena Street , Kotahena	117699111
59	Wellawatta (SC)	No 507,Galle Road,Colombo 06	115885666

ANNUAL GENERAL MEETING

NOTICE OF THE VIRTUAL 11TH ANNUAL GENERAL MEETING OF ASIA ASSET FINANCE PLC FOR THE YEAR ENDED 31ST MARCH 2022

NOTICE IS HEREBY GIVEN that the Virtual 11th Annual General Meeting of Asia Asset Finance PLC will be held on 20th September 2022 at 10.30 a.m. via online platform for the following purposes

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 2022 and the report of the auditors thereon.
- 2) To re-elect Mr. K.R. Bijimon 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.
- 3) To re-elect Mr. G. Alexander 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-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.
- 5) To consider and if thought fit to pass the following as a special resolution subject to the approval of the Central Bank of Sri Lanka;

To delete existing Article 53 of the Articles of Association by substituting therefor with the following new Article 53 to read as follows:-

- "53 (i) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in the year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such time and place as may be prescribed by the Company in general meeting and if no time or place is prescribed, at such time and place as may be determined by the directors. All general meetings other than Annual General Meetings shall be called Extraordinary Meeting.
- (ii) The Board must call an annual general meeting of the Company to be held not later than six months after the balance sheet date of the Company.
- (iii) A meeting of the shareholders may be held either-
- (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
 - (b) by means of audio and visual communication by which all shareholders participating and constituting a quorum can simultaneously hear each other throughout the meeting."

BY ORDER OF THE BOARD

.....
Company Secretaries
P. R. Secretarial Services (Pvt) Ltd
Colombo, 26th August 2022

Notes:

- A Shareholder is entitled to appoint a proxy to attend and vote at this meeting on his/he behalf.
- A proxy need not be a Shareholder of the Company.
- A Shareholder wishing to vote by proxy may use the Form of Proxy enclosed
- To be valid the completed Form of proxy must be lodged at the Registered Office P. W. Corporate Secretarial Services (Pvt) Ltd, 3/17, Kynsey Road, Colombo 08, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting.
- Shareholders/Proxy holders are kindly requested to bring along with them their National Identity Card or a similar form of accepted identity when attending the meeting.

NOTES

FORM OF PROXY

I/We.....Of.....being a Shareholder/

Shareholders* of the above named Company, hereby appoint.....Of.....

failing him/her.

(1) Mr. V. A. Prasanth	or failing him	(5) Mr. J. P. D. R. Jayasekara	or failing him
(2) Mr. R. J. A. Gunawardena	or failing him	(6) Mr. G. M. Alexander	or failing him
(3) Mr. R. A. T. P. Perera	or failing him	(7) Mr. K. R. Bijimon	or failing him
(4) Mr. R. A. B. Basnayake	or failing him	(8) Mr. K. G. K. Pillai	

as my/our* proxy to represent me/ us* and speak and vote for me/us* on my/our* behalf at the Virtual 11th Annual General Meeting of Asia Asset Finance PLC to be held on 20th September 2022 at 10.30 a. m. via online platform 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 31st March 2022 and the report of the auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. K.R. Bijimon 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"/>
3. To re-elect Mr. G. Alexander 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-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"/>
5. To consider and if thought fit to pass the following as a special resolution subject to the approval of the Central Bank of Sri Lanka; To delete existing Article 53 of the Articles of Association by substituting therefor with the following new Article 53 to read as follows:- "53 (i) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings is the year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such time and place as may be prescribed by the Company in general meeting and if no time or place is prescribed, at such time and place as may be determined by the directors. All general meetings other than Annual General Meetings shall be called Extraordinary Meeting. (ii) The Board must call an annual general meeting of the Company to be held not later than six months after the balance sheet date of the Company. (iii) A meeting of the shareholders may be held either- (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or (b) by means of audio and visual communication by which all shareholders participating and constituting a quorum can simultaneously hear each other throughout the meeting."	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2022

Signature of shareholder

N.I.C. No

Note:

1. A proxy need not be a shareholder 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 deposited at P. W. Corporate Secretarial Services (Pvt) Ltd, 3/17, Kynsey Road, Colombo 08, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting (Between 8.30 a.m. to 4.30 p.m).
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

TAXPAYER IDENTIFICATION NUMBER (TIN)

104032664

TELEPHONE

011-7699000

E-MAIL

info@asiaassetfinance.lk

WEBSITE

<https://asiaassetfinance.com/>

COMPANY SECRETARY

P R Secretarial Services (Pvt) Ltd
59 Gregory Road,
Colombo 07.

LAWYERS OF THE COMPANY

Shiranthi Gunawardena Associates
1056 Mardana Road,
Colombo 08.

COMPANY AUDITORS - EXTERNAL

BDO Partners 65/2,
Sir Chiththapalam A Gardiner Mawatha,
Colombo 02.

BOARD OF DIRECTORS AS AT 31ST MARCH 2022

Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. R. A. T. P. Perera
Mr. G. M. Alexander
Mr. K. R. Bijimon
Mr. K. G. K. Pillai
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara

ALTERNATE DIRECTORS

Mr. K. G. K. Pillai
(Alternate Director to Mr. K. R. Bijimon)
Of the 8 Directors, Mr. R. A. B. Basnayake is an Independent Non-Executive Director and the Senior Director of the Board.

AUDIT COMMITTEE AS AT 31ST MARCH 2022

Mr. R. A. T. P. Perera
Mr. V. A. Prasanth
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara
Mr. K. G. K. Pillai

INTEGRATED RISK MANAGEMENT COMMITTEE AS AT 31ST MARCH 2022

Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. R. A. T. P. Perera
Mr. R. D. S. Gunasekara
Mr. K. R. Bijimon
Mr. J. P. D. R. Jayasekara

RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31ST MARCH 2022

Mr. J. P. D. R. Jayasekara
Mr. K. R. Bijimon
Mr. R. A. B. Basnayake

REMUNERATION COMMITTEE AS AT 31ST MARCH 2022

Mr. V. A. Prasanth
Mr. R. A. T. P. Perera
Mr. G. M. Alexander
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara

IT COMMITTEE AS AT 31ST MARCH 2022

Mr. R. A. B. Basnayake
Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. J. P. D. R. Jayasekara
Mr. Inditha Jayathilake - Member

CREDIT COMMITTEE AS AT 31ST MARCH 2022

Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. J. P. D. R. Jayasekara
Mr. K. R. Bijimon

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