



Annual Report 2020/21

BIMPUH FINANCE PLC



POWER OF CREATE

Every new day marks a new beginning, and here at Bimpu Finance, that is our promise to you. Over the years we paved the path for countless lives to craft their futures, achieve their calling, and fulfill their ambitions - providing the means for our stakeholders to achieve their dreams, and succeed at all they set out to do.

As we strive to illuminating lives with the potential to transform and grow, we are envisioning an era of development and change. We are working towards achieving a better tomorrow, and promising dawn of a new day.



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ABOUT THIS REPORT

Scope and Boundary

The report covers the operations of Bimpu Finance PLC ("Bimpu" or the "Company") for the period from 1st of April 2020 to 31st March 2021. The content of the report was determined through a process of materiality assessment as described in page of the annual report. There were no significant restatements of information nor significant changes in the Company's size, structure ownership or supply chain during the year.

STANDARDS AND PRINCIPLES

Regulatory requirements

- Finance Business Act No. 42 of 2011
- Companies Act No.7 of 2007
- Finance Leasing Act No. 56 of 2000
- Finance companies (corporate governance) Direction No 3 of 2008.
- Sri Lanka Financial Reporting Standards.
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 2015.
- Integrated Reporting Framework issued by the International Integrated Reporting Council.
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange (2013)

REPORTING IMPROVEMENTS

- Enhanced the strategic focus of the report by linking KPIs and material topics to strategy
- Business line reviews for the key product segments
- Improved the connectivity of information by signposting the key areas in the value creation diagram and across the Report
- Clarity and conciseness were improved by ensuring material topics are relevant and up to date.

FINANCIAL CAPITAL

HUMAN CAPITAL

SOCIAL & RELATIONSHIP CAPITAL

INTELLECTUAL CAPITAL

MANUFACTURED CAPITAL

NATURAL CAPITAL

DIRECTORS' RESPONSIBILITY

The Board of directors acknowledge the responsibility to ensure the integrity of this Annual report. We hereby confirm that the 2020/21 Annual report discloses all material information and fairly represents the integrated performance of the company. The report is approved and authorised for publication.

SIGNED ON BEHALF OF THE BOARD

Feedback

We welcome your comments and suggestions in improving the readability of our report.

Please direct your feedback to:

M N H Nashwaq
Head of Finance
nashwaq@bimpufinance.com

PERFORMANCE HIGHLIGHTS

FINANCIAL CAPITAL

Year ended 31 March 2021	Metric	2020/21	2019/20
Financial Performance			
Interest income	Rs.Mn	720.9	1,530.7
Net Interest Income	Rs.Mn	-45.3	515.1
Operating profit before tax on	Rs.Mn	-340.9	-497.8
Pre-tax profit	Rs.Mn	-350.5	-497.8
Taxation expense	Rs.Mn	NIL	-22.4
Profit for the year	Rs.Mn	-350.5	-520.1
Total comprehensive income/(loss)	Rs.Mn	-322.7	-523.6
Gross dividends for the year	Rs.Mn	NIL	NIL
Financial Position			
Total assets	Rs.Mn	5,981.5	8,014.6
Loans and advances (net)	Rs.Mn	2,954.3	5,049.0
Total liabilities	Rs.Mn	5,561.1	7,271.4
Total deposits	Rs.Mn	1,249.6	1,607.6
Shareholders' funds	Rs.Mn	420.4	743.2
Profitability			
Net interest margin	%	-1.26	9.0
Non-performing-loans ratio	%	33.82	23.3
Return on assets	%	-5.01	-6.5
Return on equity	%	-60.25	-70.4
Cost to income ratio	%	138.77	128.0
Investor Information			
Net asset value per share	Rs.	3.9	6.9
Market value per share	Rs.	6.20	14.3
Earnings per share-basic	Times	-3.25	-4.8
Price earnings	Times	-1.91	-2.8
Market Capitalization	Rs.Mn	667.95	1,541
Regulatory Ratios			
Capital adequacy ratios:			
Tier I - (minimum ratio of 6.5%)	%	4.85	6.1
Tier I & II - (minimum ratio of 10.5%)	%	4.65	5.7

	Year ended 31 March 2021	Metric	2020/21	2019/20
MANUFACTURED CAPITAL	Property, plant and equipment	Rs.Mn	288.2	294.4
	Branches / Service Centres	No.	47	47
	Branches outside Western Province	No.	37	37
	Capital expenditure	Rs.Mn	23.2	23.3
HUMAN CAPITAL	Total employees	No.	336	494
	Payments to employees	Rs.Mn	172	232.1
	Employee retention rate	%	73	71.0
	New recruits	No.	29	122
	Female representation-overall	%	38	12.0
	Promotions	No.	7	42
	Workplace injuries	No.	NIL	NIL
	Revenue per employee	Rs.Mn	2.6	4.0
SOCIAL AND RELATIONSHIP CAPITAL	No. of borrowers	No.	121,146	131,250
	Female borrowers	%	80	72
	Loans disbursed	Rs.Mn	1,942.8	6,749.7
	Customers outside Western Province	%	47	83
	Average loan size per customer	Rs.	80,000.00	84,000.0
NATURAL CAPITAL	Loans to the Agriculture Sector	Rs.Mn	1,183	1,793.2
	Fuel consumption	Litres	9,105.6	13,387.5
	Water consumption	Litres	23,743.9	34,909.2
	Environmental non-compliance	No.	NIL	NIL



MESSAGE FROM THE CHAIRMAN

EMPOWERING DEVELOPMENT AND CHANGE

THE PROFIT-
ABILITY OF
THE ENTIRE
NBFI SECTOR
DROPPED BY
RS. 6.9 BIL-
LION (FROM
RS. 39.7 BIL-
LION TO RS.
32.8 BILLION)

Dear shareholders,

I am pleased to present before you the annual report and financial accounts of Bimpuh Finance PLC for the financial year ended 31st March 2021.

During the period under review, the world economy was struggling to recover from the downturn caused by COVID 19 pandemic. Whilst the rich countries showed some positive signs the low and middle income countries were lagging behind as a result of lockdowns, restrictions on mobility and reduced economic activities due to COVID 19. The rich countries were able to offer substantial monetary and fiscal stimulus packages to revive their economies. Most of the low and middle income countries did not have adequate resources to do so. The low income countries had to undergo an economic crisis in addition to a health crisis.

Under this world scenario, Sri Lanka economy recorded a contraction of 3.6% in 2020. Central bank of Sri Lanka introduced number of monetary stimulus measures to revive the economy. Downward adjustments of policy interest rates, Reduction of reserve requirements of commercial banks were some of the measures introduced by Central bank of Sri Lanka to enhance credit growth in Sri Lanka.

NBFI sector in Sri Lanka recorded a negative growth in total asset base, negative growth in overall profitability and deterioration of asset quality. The overall performance of NBFI sector was unsatisfactory.

Bimpuh Finance PLC was searching for a suitable investor to partner with us to expand business operations in 2020 but was not successful in this effort. As a result, company considered not to expand

any new business but fully engaged in recovery of loans and advances granted and repayment of existing liabilities as they fell due. Company was able to manage and reduce all operating costs and substantially reduce losses.

We have not given up our efforts to find a suitable investor for Bimpuh Finance PLC and will continually engage towards that objective in 2021/22.

I sincerely thank my fellow board members, Chief Executive officer, Senior management and all staff of Bimpuh Finance PLC for their continued support during a difficult period of operating environment.

Sudath Jayasundara
Acting Chairman

MESSAGE FROM THE CEO

THE POTENTIAL TO TRANSFORM AND GROW



Dear Stake holder

I present my review of our company for the financial year 2020/21. During the period under review company did not engage in granting of new loans while mobilizing new deposits was on selective basis. The company was concentrating on recovery of existing loans and advances and repayment of company's liabilities as and when they fell due. As a result a contraction of company's assets by Rs. 2Bn (25.3%) was observed.

External environment

In 2020, Sri Lankan economy contracted by 3.6% in a background of escalation of COVID 19 pandemic. The world economy too contracted due to restrictions in economic activities, induced by COVID 19 pandemic. Overall size of Sri Lankan economy saw a decline from US \$ 84.0 billion in 2019 to US \$ 80.7 billion in 2020. The GDP per capita declined from US \$ 3852 in 2019 to US \$ 3682 in 2020. The mobility restrictions coupled with intermittent lockdown situations imposed by health authorities, in order to prevent spread of COVID 19 pandemic severely affected all sectors in the economy, especially the industry sector.

NBFI Sector

The non bank finance sector, of which our company is a part, also contracted in 2020. The total asset base of non bank finance sector declined from Rs. 1432.7 billion to Rs. 1401.6 billion. The total loans and advances in the sector decreased from Rs. 1102.7 billion in 2019 to Rs. 1039.9 billion in 2020. Total deposits of the sector declined from Rs. 756.7 billion in 2019 to Rs. 748.6 billion in 2020. Net interest too reduced from Rs. 117.4 billion in 2019 to Rs. 111.2 billion in 2020. As a result the overall profitability of this sector too declined. Whilst the profit before tax declined from Rs. 32.8 billion to Rs. 26.6 billion in 2020, the profit after tax declined from 14.5 billion to Rs. 13.7 billion

in 2020. The gross nonperforming loan ratio deteriorated from 10.6% to 13.9% in 2020. This indicates the worsening credit quality of overall loans and advance portfolio in this sector.

Internal Environment

As a result of reduced business volume both interest income and interest expenses of the company recorded a reduction by Rs. 809 million and by Rs. 249 million respectively. Net interest income was reduced by Rs. 560 million. In the context of reduced business volume, company managed to reduce cost by Rs. 244.6Mn. Further, we managed to reduce losses from Rs. 520.0 million in 2019/20 to Rs. 322.0 million in 2020/21.

Future

Company is making arrangements to identify a suitable new investor to restructure and expand the business volume of the company. In the alternative, company will seek the assistance of Central Bank of Sri Lanka under their consolidation plan to arrange an appropriate merger partner.

I thank the Chairman and board of directors for their direction and guidance during the period under review. I also extend my gratitude to the staff members of the company for their continuous assistance to the company under a difficult operating environment and maintaining a low operation cost.

P. Niranjana
Chief Executive Officer

BOARD OF DIRECTORES



Mr. Sudath Jayasundara

Acting Chairman (Non-executive)

Skills and Experience An Attorney-at-Law, Mr. Jayasundara, holds a Bachelor's Degree from the University of Colombo and a Diploma in International Affairs from the Bandaranaike Centre for International Studies. Other Appointments Board positions in Harischandra Mills Mathara PLC, Bogawantalawa Plantations PLC, Metropolitan Resources Ltd, Sithara Ltd, Electronic Technologies (Pvt) Limited, Blue Diamonds Jewellery Worldwide PLC, Compassion Products (Pvt) Ltd and Telshan Network (Pvt) Ltd



Mr. Chamindra Gamage

Executive Deputy Chairman

Skills and Experience Prior to being appointed to the Board of Bimputh Finance, Mr. Gamage served the Company in the capacity of General Manager- Marketing and Business Development. He holds substantial post qualification management experience having served in several conglomerates including MAS Holdings and Sampath Chinkara Securities. He holds a B.Sc (Hons.) Degree in Economics and M.Sc. in Accounting and Finance from the London School of Economics and Political Science. He holds board positions in several companies within the Daya Group



Mrs. Sherani Godamunne

Independent / Non-executive Director

Skills and Experience With over 40 years' experience in finance and management, Mrs. Godamunne has previously held several senior positions in the government and private sectors. She is an Associate Member of the Chartered Institute of Management Accountants of UK. Previously held the positions of Senior Accountant of Sri Lanka Land Reclamation and Development Corporation, Assistant General Manager (Finance) of Airport and Aviation Services (Sri Lanka) and Financial Controller of Author C. Clarke Institute for Modern Technology.

Mrs. Godamunne resigned from the Board on 25th March 2021 for which CBSL granted their approval on 20th July 2021



Mr. Sudarshana Piyatillake

Independent / Non-executive Director

Skills and Experience A career banker, Mr. Piyatillake has over 25 years of multidisciplinary experience in the banking and financial services sectors. He holds professional qualifications from the Institute of Data Processing Management, London, Diploma in Computer Systems Design from the National Institute of Business Management and part qualifications from the Institute of Bankers of Sri Lanka. He previously served in the Indian Overseas Bank, gaining exposure to all facets of commercial banking including imports/exports, foreign exchange dealing, fund management, HR & Administration, Customer relations and Credit among others. He also previously served as the CEO of Bimputh Finance in 2010.



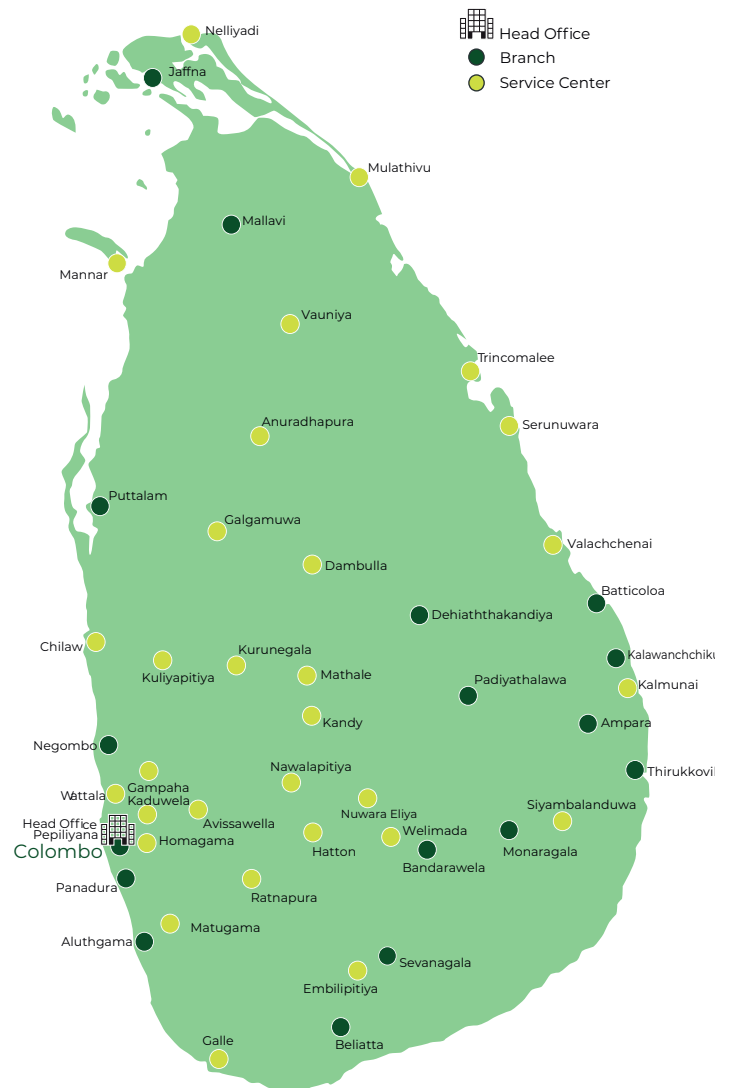
Mrs. M. Gamage Brooker

Non-independent / Non-executive Director

Skills and Experience Mrs. Gamage's prior experience includes a stint at the global insurance and human capital consultancy firm, Willis Tower, as well as Daya Group and MAS Holdings. She holds a Bachelor's Degree in Economics from the University of Durham and an MSc in Management and Human Resources from the London School of Economics. She is also a member of the Chartered Institute of Personnel Development. Other Appointments Managing Director of Blue Diamonds Jewellery PLC

	Branch	Branch Address
01	Aluthgama	No. 301/1A, Galle Road, Aluthgama.
02	Ampara	No. 182, Kalmunei Road, Ampara.
03	Anuradhapura	337/16, Church Road,Bank Place, Anuradhapura
04	Avissawella	No. 29/1/1, Gem Land, Kudagama Rd, Avis-sawella.
05	Bandarawela	No. 460, Badulla Road, Bandarawela.
06	Batticaloa	No. 43, Bailey Road, Batticaloa.
07	Beliatta	No. 77, Walasmulla Road, Beliatta.
08	Chilaw	229, Near Railway crossing road,Puttaalam road,chillaw.
09	City	No. 362, Colombo Road, Pepiliyana, Boraless-gamuwa.
10	Dambulla	NO 509/1/3, Anuradhapura Road, Dambulla
11	Dehiattakandiya	No. F/77, New Town, Dehiattakandiya
12	Embilipitiya	Mahanama Building, Nonagama Road, Embilipitiya.
13	Galgamuwa	No. 391, Market Place, Galgamuwa.
14	Galle	No. 99/C, Old Matara Road, Pettigalawatta, Galle.
15	Gampaha	30/1/1, Yakkala Road, Gampaha
16	Hatton	No. 175, 2nd Floor, Dimbula Road, Hatton.
17	Homagama	No. 114/ 1/1, Avissawella Road, Homagama.
18	Jaffna	No. 275/1/2, Clock Tower Road, Jaffna.
19	Kaduwela	No. 502/10, Avissawella Road, Kaduwela.
20	Kalawanchikudy	Main Street, Kalawanchikudi.
21	Kalmunai	No. 345, Batticaloa Road, Pandiruppu II, Kalmunei.
22	Kandy	No. 675 , William Gopallawa Mw, Kandy.
23	Kurunegala	No. 35, South Circular Road, Kurunegala.
24	Kuliypitiya	No. 214, Hettipola Road, Kuliypitiya.
25	Mallavi	Main Street, Anithichiyankulam, Mallavi.
26	Mannar	No. 186, Main Street, Pettah, Mannar.
27	Mathale	403, Trincomalee street, Matale
28	Mathugama	No. 121/B2, Agalawathta Road, Matugama.
29	Monaragala	No. 213, Wellawaya Road, Monaragala.
30	Mullativu	Thanniyoottu, Mulliyawalai, Mulathive.
31	Nawalapitiya	No. 116/B, Gampala Road, Nawalapitiya.
32	Negombo	No. 90, St. Joshep Street, Negombo.
33	Nelliady	No. 58/1, Jaffna Point Pedro Road, Nelliady.
34	Nuwara Eliya	No. 164/1,Puwakdoramulla Building, Kandy rd, Nuwara Eliya.
35	Padiyathalawa	No. 306 A6, Seram Building, Main Street, Padiyathalawa.
36	Panadura	No. 40/1/1, Horana Road, Panadura.
37	Puttalam	No. 3A, Out -Circle Road, Puttalam.
38	Rathnapura	No. 08/A, Warakatota Road, Ratnapura.
39	Serunuwara	E/20/05 Batticaloa Road , Serunuwara
40	Sewanagala	No. 18, Danduma Junction, Sewanagala.
41	Siyambalanduwa	Lakmini Building, Ampara Junction, Siyambalanduwa.
42	Thirukkivil	Main Street, Thirukkivil.
43	Trincomalee	81/1, Thirghana sampathanthar street, Trincomalle
44	Valachchenai	Main Street, Karuwakerna, Valachchenai.
45	Vauniya	No. 39, 2nd Cross Street, Vavuniya.
46	Wattala	No. 591 1/1, Negombo Road, Mabola, Wattala.
47	Welimada	No. 157, Nuwara Eliya Road, Welimada.

BRANCH NETWORK



OUR COMPANY

Bimpu Finance PLC is a fully- fledged finance company registered under the Finance Business Act No.42 of 2011 and licensed by the Monetary Board of the Central Bank of Sri Lanka, commencing operations nearly 14 years ago. The Company has in recent years broadened its product portfolio and customer base to offer a range of lending and investment solutions to the retail and SME sectors. Head quartered in Colombo , the Company operates a network of 47 customer contact points in 23 districts, driving financial inclusion and supporting socio-economic empowerment across the country.

Defining our role and purpose

VISION

To lead the non- bank financial services industry.

MISSION

To alleviate poverty in Sri Lanka by satisfying the financial requirements of micro, small and medium sized enterprises through an innovative product mix whilst empowering our employees, supporting our local communities and creating shareholder value.

OUR CORE VALUES

DELIVER amazing service

TAKE OWNERSHIP in everything

COMMIT to continuous improvement

EMBRACE creativity and innovation

RECOGNIZE leadership and hard work

BUILD a positive team environment

PERSEVERE from start to finish

Key Numbers

Revenue
Rs. Mn

879.3

Profit/ (Loss) af-
ter Tax Rs. Mn

-350

Total Assets
Rs. Mn

5,981.57

Deposits
Rs. Mn

1,249.62

No. of
Employees

336

No. of
Customers

121,146

Economic Impact

Lending to SME
sectors Rs. Mn

16.90

Micro finance
lending Rs. Mn

25.54

Lending outside the
Western province Rs. Mn

205.95

Taxes Paid
Rs. Mn

nil

Value to
Employees Rs. Mn

172

Our core competencies

Established track record

Diverse product portfolio including micro finance, leasing, gold loans, SME, Housing, Personal loans and Agriculture

Island-wide branch network

Digital infrastructure Customer relationship management systems and digital products.

78.72% of lending outside the Western Province

Skilled, Energetic and committed Team

Our relationships - Average length of relationships 14 years.

OUR INTEGRATED STRATEGY

Value Creation Model

→ Capital used

Financial Capital

Shareholders' funds:
Rs. 871.47 Mn
Public deposits:
Rs. 1,250 Mn
Borrowings:
Rs. 4,114.64 Mn
(Page 17)



Manufactured Capital

- Property, plant and equipment:
Rs. 288.27Mn (Page 77)



Human Capital

- The skills, values and attitudes
of 336 employees
(Page 18)



Natural Capital Energy, Water, Raw material
(Page 22)



Social & Relationship Capital

- 121,146 Customers
- Relationships with our business partners
- Community relationships
(Page 21)

Intellectual Capital

- Tacit knowledge
- Systems, processes and standards
- The BIMPUH brand



Creating value

We create value to our stakeholder by providing an innovative product mix, deploying an effective strategy and maintaining a secure funding base to ensure financial Stability

Funding	Growth and stability.	Micro Finance Rs. 25.54 Mn	Other Loan Rs. 331.28 Mn
+			
Effective strategy	Operational Efficiency	SME lending Rs. 16.90 Mn	Total Disbursement Rs. 1942.8 Mn
+			
An innovative product mix to lend or invest	Digitization	Leasing Rs. 85.76 Mn	
=			
Value creation	Sustainable relationships	Gold loans Rs. 1483.32 Mn	

→ Outputs and outcomes



Shareholders

- Share price: Rs. 6.2
- Market Capitalisation : 667.95Mn
- Public holding : 11.82%



Customers

- Value of new loans:
Rs. 6,749.75 Mn
- Access to affordable financing



Communities

- Investment in CSR projects:
Rs. 2 Mn
- Indirect employment
opportunities



Employees

- Training and development:
Rs. 500K
- Personnel cost: Rs. 172Mn
- No of promotions: 7



Government

- Taxes paid: nil
- Promote financial inclusion and
socio-economic empowerment

OUR INTEGRATED STRATEGY



Shareholders

Engagement mechanisms

- Annual General Meeting
- Quarterly financial results released to the CSE
- Corporate website (ongoing)
- Press releases through the CSE (ongoing)
- Semi-annual financial statements published in newspapers

Concerns

- Sustainable growth in earnings
- Returns / Dividends
- Implications of the changes in the macro-economic environment
- Share prices and earnings per share
- Changes in regulations and the potential impact

Managing concerns

- The corporate strategy focused on portfolio diversification and operational efficiency to support earnings growth
- Intense focus on recoveries to reduce the portfolio risk
- Focused on increasing the core capital base of the Company to meet regulatory requirements



Customers

Engagement mechanisms

- Engagement with marketing teams (ongoing)
- Engagement through branches and marketing officers (ongoing)
- Weekly/fortnightly meetings with micro borrowers
- Promotional and marketing activities (ongoing)
- Digital platform

Concerns

- Client development
- Convenience and ease of accessibility
- Access to affordable funding
- Financial inclusion
- Ease of transactions

Managing concerns

- Focused on innovation
- Maintained an island wide branch network
- Improved customer service by investing on the digital infrastructure



Employees

Engagement mechanisms

- Annual performance appraisals
- Staff meetings
- Welfare events

Concerns

- Remuneration schemes
- Skill development
- Career progression
- Conducive working environment

Managing concerns

- Training programs
- Promotions



Business partners

Engagement mechanisms

- One to one meetings as and when required
- Site visits
- Written communication

Concerns

- Compliance
- Corporate governance
- Financial stability

Managing concerns

- Continuous engagement to nurture mutually beneficial relationship



Government and regulators

Engagement mechanisms

- Ongoing regulatory reporting
- Consultations and meetings
- Written communication with the CBSL (ongoing)
- Industry forums (ongoing)

Concerns

- Compliance
- Upliftment of the non-bank financial sector
- Stability and growth

Managing concerns

- The company's continuous with the Government while ensuring compliance to all regulatory standards



Communities

Engagement mechanisms

- Regular community meetings
- CSR

Concerns

- Employment opportunities
- Contribute to the development of communities

Managing concerns

- Initiated CSR projects to add value to our communities

OPERATING ENVIRONMENT

External environment

In 2020, Sri Lankan economy contracted by 3.6% in a background of escalation of COVID 19 pandemic. The world economy too contracted due to restrictions in economic activities, induced by COVID 19 pandemic. Overall size of Sri Lankan economy saw a decline from US \$ 84.0 billion in 2019 to US \$80.7 billion in 2020. The GDP per capita declined from US \$ 3852 in 2019 to US \$ 3682 in 2020. The mobility restrictions coupled with intermittent lockdown situations imposed by health authorities, in order to prevent spread of COVID 19 pandemic severely affected all sectors in the economy, especially the industry sector.

NBFI Sector

The non bank finance sector, of which our company is a part, also contracted in 2020. The total asset base of non bank finance sector declined from Rs. 1432.7 billion to Rs.1401.6 billion. The total loans and advances in the sector decreased from Rs. 1102.7 billion in 2019 to Rs. 1039.9 billion in 2020. Total deposits of the sector declined from Rs. 756.7 billion in 2019 to Rs. 748.6 billion in 2020. Net interest too reduced from Rs. 117.4 billion in 2019 to Rs. 111.2 billion in 2020. As a result the overall profitability of this sector too declined. Whilst the profit before tax declined from Rs.32.8 billion to Rs. 26.6 billion in 2020, the profit after tax declined from 14.5 billion to Rs.13.7 billion in 2020. The gross nonperforming loan ratio deteriorated from 10.6% to 13.9% in 2020. This indicates the worsening credit quality of overall loans and advance portfolio in this sector.

Internal Environment

As a result of reduced business volume both interest income and interest expenses of the company recorded a reduction by Rs.809 million and by Rs. 249 million respectively. Net interest income was reduced by Rs. 560 million. In the context of reduced business volume, company managed to reduce cost by Rs.244.6Mn. Further, we managed to reduce losses from Rs. 322 million in 2019/20 to Rs. 51.8 million in 2020/21.

Future

Company is making arrangements to identify a suitable new investor to restructure and expand the business volume of the company. In the alternative, company will seek the assistance of Central Bank of Sri Lanka under their consolidation plan to arrange an appropriate merger partner.

I thank the Chairman and board of directors for their direction and guidance during the period under review. I also extended my gratitude to the staff members of the company for their continuous assistance to the company under a difficult operating environment and maintaining a low operation cost.

INDUSTRY LANDSCAPE

Sri Lankan economy

The non bank finance sector consists of 40 licensed finance companies and 3 specialized leasing companies. This sector represents 5.9% of Sri Lanka financial system as at 31st December 2020. This sector, although small in size, play a decisive role in catering to financial needs of the underserved Micro and Small Entrepreneurs, Medium and Small scale businesses, self-employed persons, salaried employees, etc... The persons who do not have regular financial records, sound collateral to offer, good past track record approach the NBFi sector for their financial needs. Thus, NBFi sector caters to more riskier client segments.

REGULATORY ENVIRONMENT

Department of supervision of Non-bank financial institutions (SNBFI) of Central bank of Sri Lanka is empowered with the task of regulation and supervision of licensed finance institutions under Finance Business Act no.42 of 2011. SNBFI implements its powers by conducting statutory examinations (on site supervision) and continuous surveillance (off site examination). and issuing prudential regulations and directions to LFCs . In 2020 SNBFI , announced the master plan for LFCs and SLCs with the objective of consolidation of NBFi sector, by restricting to 25 well performing ,sound LFCs. The SNBFI issued a circular describing a prompt corrective action plan to ensure better risk management.

GROWTH OF NBFi SECTOR

The total asset base of NBFi sector had a negative growth in 2020. A decline from Rs. 1432 billion to Rs. 1401.6 billion. Loans and advances, which accounts for 74.2% of total assets, also declined from Rs. 1107.7 billion to Rs. 1039.9 billion in 2020. The customer deposits, which accounts for 53.4% of total liabilities slightly declined from Rs. 756.7 billion to Rs. 748.6 billion.

The gross non-performing loan ratio increased from 10.6% to 13.9%, indicating a deterioration of the quality of total loans and advances portfolio in 2020. This fact should be seriously noted as NPL levels could be underestimated due to debt moratorium imposed by Central Bank of Sri Lanka. The sector maintained satisfactory level of liquidity during 2020.

PROFITABILITY

The overall net interest margin in this sector declined by Rs. 6.2 billion in 2020, making a final total of Rs. 111.2 billion as at end of 2020. Both interest income and interest expenses declined in 2020 by 12% and 17.6% respectively. Net interest margin in the sector, as a percentage of average assets in the sector also declined from 7.7% to 7.3% in 2020. The staff expenses,

administration expenses and other expenses declined in 2020 due to reduced volume of overall business operations. Total profit before tax declined from Rs. 32.8 billion to Rs. 26.6 billion in 2020. Total profit after tax in the sector declined from Rs. 14.5 billion to Rs. 13.7 billion.

CAPITAL

The total capital base in the NBFi sector improved from Rs.182 billion to Rs.218.9 billion in 2020. with the infusion of capital by some licensed finance companies. Central bank of Sri Lanka has imposed a minimum capital requirement of Rs 2.5 billion to each licensed finance company to be reached as at 1st January 2022. Central bank of Sri Lanka introduced "The financial sector consolidation master plan "in order to monitor the non-compliance of the minimum core capital requirement, imposed by them on LFCs .

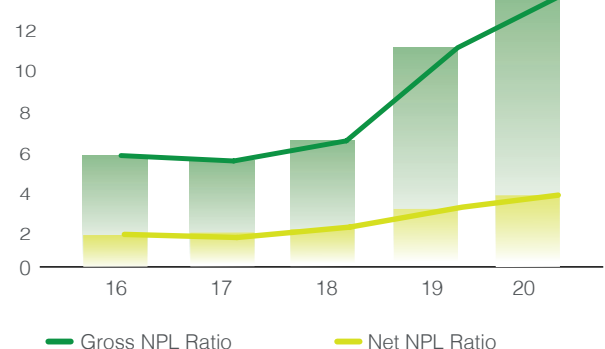
NBFi-SECTOR PERFORMANCE

Rs.Mn.



PORTFOLIO QUALITY

% 14



OUR STRATEGY

The challenging operating environment that prevailed during the year compelled to revisit its strategy and formulate action plans to address rising delinquencies from the micro financing portfolio and functioning constraints. The following section provides a high-level overview of the Company's key strategic priorities for 2020/21 and the progress made against these priorities.

Strategic priority	Strategic initiatives in 2020/21	Measuring KPIs and Outcomes	Outlook
Growth and stability 	Portfolio growth and diversification • Realign product portfolio to increase exposure to secured lending products such as leasing and gold loans and mortgage backed loans • Reduce Micro finance portfolio • Deeper relationship with existing clientele • Client acquisition in new markets	• Reliance on micro-financing facilities declined from 30% to 5.8% in 2020/21. • 22% decrease in leasing portfolio • 63% decrease in gold loans	• Pursue growth in leasing, mortgage backed loans and gold segments • Cautious growth in micro financing • Data analysis for more proactive decision making • Diversify funding mix
	Portfolio quality • Automated and centralized credit approval for leasing • Risk based lending for leasing and SME portfolios • Increase exposure towards secured lending portfolio • Dedicated credit recovery team • Increase portfolio of gold loans		• Further widen exposure to secured lending products while curtailing micro-finance lending
	Financial stability • Build an adequate capital base to meet the regulatory capital requirement over the next one year. • Diversify funding portfolio with increased exposure to securitized borrowings	• 22% decline in deposit base • 43% decline in value of equity • 24.6% decline in borrowings	• Strengthen capital base through stronger profit generation and capital infusions over the next 3 years • Build a more granular deposit base
Digitization and Operational Efficiency 	Automate loan approvals • Optimize cadre through increasing productivity and automation • Cost rationalization • Credit score module for consumer loans	• Improved loan processing time	• Ongoing investment in enhancing our digital infrastructure to drive better risk management, cost management and more effective decision making • Optimize branch network
People Development 	People • Acquisition of new skills to drive growth in leasing, SME and gold loans • Develop specialized competencies through training programs	• Acquisition of new skills to drive growth in leasing, SME and gold loans • Develop specialized competencies through training programs	• Ongoing focus on employee skill development and productivity enhancement

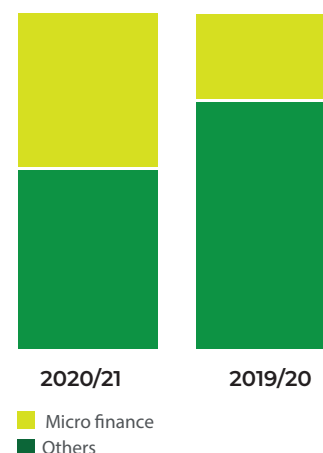
MANAGEMENT DISCUSSION & ANALYSIS

Business Line Reviews

Micro financing

Micro financing continues to be the Company's mainstay, although challenging industry conditions have compelled us to pursue growth through alternative lending products. Through our micro financing solutions, we have directly contributed to the socio-economic empowerment of over individuals, providing access to affordable financing for self-employment and agricultural ventures.

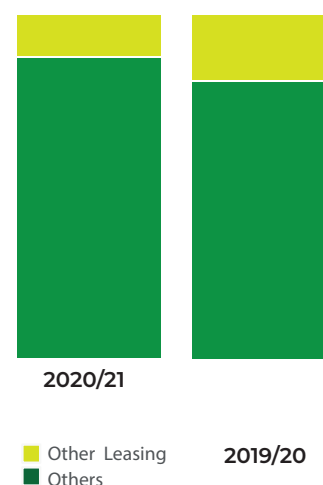
Operating Environment	Strategy for 2020/21
Adverse weather conditions part of the Country	Curtail lending, given rising delinquencies
Over indebtedness of borrowers	- Identified vulnerable locations and restricted disbursement - Conducted financial literacy awareness programs. - Efforts to strengthen credit monitoring and recovery mechanisms



Leasing

The Company offers leasing facilities for two, three and four wheelers across the island. Although a relatively new entrant to this segment, the Company has sought to differentiate itself through offering faster turnaround times and customer convenience, facilitated through investments in technology and process automation.

Operating Environment	Strategy for 2020/21
Slowdown in vehicle registrations due to Government efforts to curtail import expenditure	Online credit approval process



Performance in 2020/21

The Company's leasing portfolio decrease by 26% to Rs. 85.76Mn during the year. Resultantly, vehicle financing accounted for 19.76% of total credit advances and reflects the Company's medium-term objective of increasing exposure to secured lending products. Bimpuh introduced online approval process for leasing facilities, allowing for relatively fast turnaround times. The portfolio at risk is monitored proactively in order to ensure that credit quality is preserved.

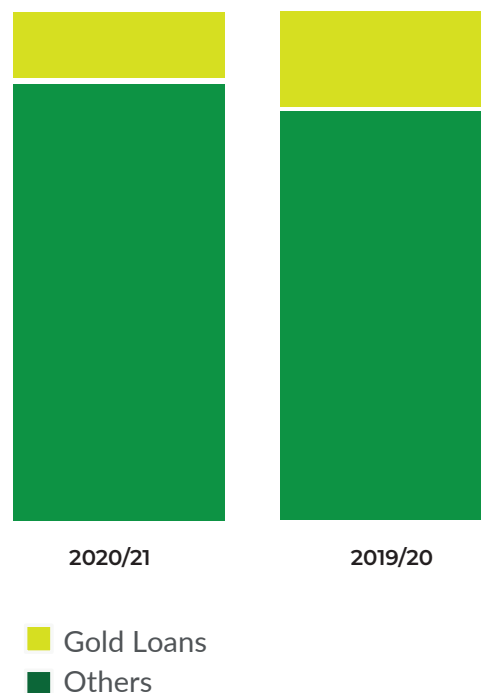
Gold loan

In line with our strategy of increasing exposure to secured lending products, Bimpuh pursued aggressive growth of its gold loan portfolio. Portfolio expansion was driven by leveraging on the Company's existing micro finance customer base, allowing us to nurture deeper relationships with a selected micro finance clientele.

Operating Environment	Strategy for 2020/21
• Stable gold prices	• Deepening relationships with selected micro financing customers
	• Proactive monitoring of the portfolio Quality

Performance in 2020/21

Gold loans are currently offered in 14 of our branches and during the year we sought to acquire specialised talent with expertise in gold loan disbursements. Multiple risk mitigation mechanisms have been implemented to ensure the authenticity of the products being pledged.



CAPITAL MANAGEMENT

Financial Capital

It was a year of multiple challenges as moderating economic growth, policy uncertainties and tightening regulation affected the entire financial system. Escalating impairments had a significant impact on profitability and in turn our capital buffer.



Challenges →	Strategic Priorities →	Outlook
• Weakening portfolio quality • Subdued economic performance • Cost escalation	• Strengthen collection and monitoring mechanism • Portfolio diversification • Driving process efficiencies and cost savings through digital capabilities	• Plan for capital infusions • Growth in gold loans and leasing • Stringent credit management

Financial Performance

Interest Income

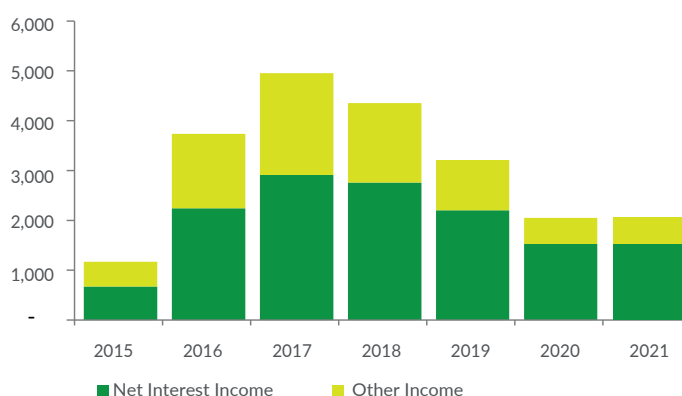
Interest Income declined by 52.90% in 2020/21 from Rs. 1,530.7 Million to Rs. 720.9 Million, mainly due to decline in loans and advances portfolio.

The interest rate cap imposed on micro finance loans continued to the decline in interest income.

Net Interest Expenses

Interest expenses dropped by 24.5% in a much slower pace than interest income. Interest expenses decline was due to drop in interest bearing funding base, i.e., Deposits Liabilities and Borrowings. These sources dropped from Rs. 7,067.5 Million to Rs. 5,364.2 Million, creating reduction of 24%.

The combined impact of interest income and interest expense created a decline in net interest income from Rs. 515 Million to Rs. -45.3 Million, a drop of 109% which is unsatisfactory.



Operating Income

Operating income consisting of fees and commission income, bad debt recoveries, default income, etc., declined from Rs. 280.56 Million in 2019/20 to Rs. 158.4 Million in 2020/21 due to less loan Disbursement.

Operating Expenses and Cost Management

Personal Cost

Personal cost declined from Rs. 233.8 Million to Rs. 172 Million due to decline in number of staff from 458 to 336.

Administration Expenses

Administration costs dropped from Rs. 568.7 Million in 2019/20 to Rs. 328.6 Million in 2020/21.

Impairment Charges

Impairment and financial loss for 2020/21 declined from Rs. 466.4 Million in 2020/21 into Rs. 38.2 Million.

Profitability

The loss for 2020/21, from a loss of Rs.520.1 Million in 2019/20 to a loss of Rs. 350.5 Million. The increase in losses is mainly due to decline in Net Interest Income by Rs. Million.

Financial Position

Assets

Total assets base declined as at 31.03.2021 by Rs. 2,033 Million. Liquid assets dropped to Rs. 644.8 Million from Rs. 1,039 Million. The main interest bearing asset, i.e., loans and advances declined to Rs. 2,954 Million from Rs. 5049 Million in the previous year. Investment properties increased from Rs. 1147 Million to Rs. 1,769 Million.

Liabilities

Liabilities also dropped from Rs. 7,271 Million to Rs. 5561 Million, mainly due to repayment of borrowings in time. The deposit liabilities declined by Rs. 357.9 Million.

Equity

Company's equity declined by Rs.322.7 Million due to losses in the current year. The Networth as at 31.03.2021 was Rs. 743.2 Million. Enhancing the core-capital to Rs. 2 Billion by 1st January 2021 as per Central Bank's regulatory requirement will be a challenge to Bimpu Finance PLC.

Assets & Quality

Total non-performing loans and advances as at 31.03.2021 stood as Rs. 1397 Mn compared to Rs. 1,182.9 Mn as at 31.03.2020.

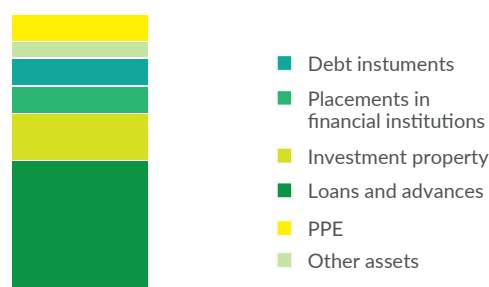
Financial Capital

Asset quality

Liquidity assets totaling to Rs. 644.8 Million consists of cash in hand and cash in banks, placements with banks and financial institutions, financial instruments, etc.. This represent 10.78% of total assets.

The main income earning asset was loans and advances representing 49.3% of total assets. The loan portfolio quality deteriorated during 2020/21. Investment properties increased by Rs. 622.5 Million. Realization of expected values by disposing investment properties is very challenging in the downturn of the economy.

ASSET COMPOSITION



Funding and Capital

The main sources of funding were borrowings from commercial banks and financial institutions and customer deposit liabilities, other than the equity capital. Bank borrowings reduced by Rs. 1,345 Million and customer deposit liabilities also reduced by Rs. 357 Million in view of lesser demand for lending, under the difficult operating environment. Networth of the company dropped by Rs. 395 Million.

As per company's policy more weightage was given to obtain funding through more borrowings, than mobilizing customer deposits as at 31.03.2021.

Shareholders returns

The loss per share was Rs. -3.25 There was no dividends paid during the year 2020/21

	2021	2020	2019
Earnings per share (Rs.)	-3.25	-4.83	-2.48
Dividends per share (Rs.)	-	-	-
Net assets per share (Rs.)	16.75	6.94	11.76
Share price (Rs.)	6.20	14.3	28
Market capitalization (Rs. Bn)	0.67	1.54	3

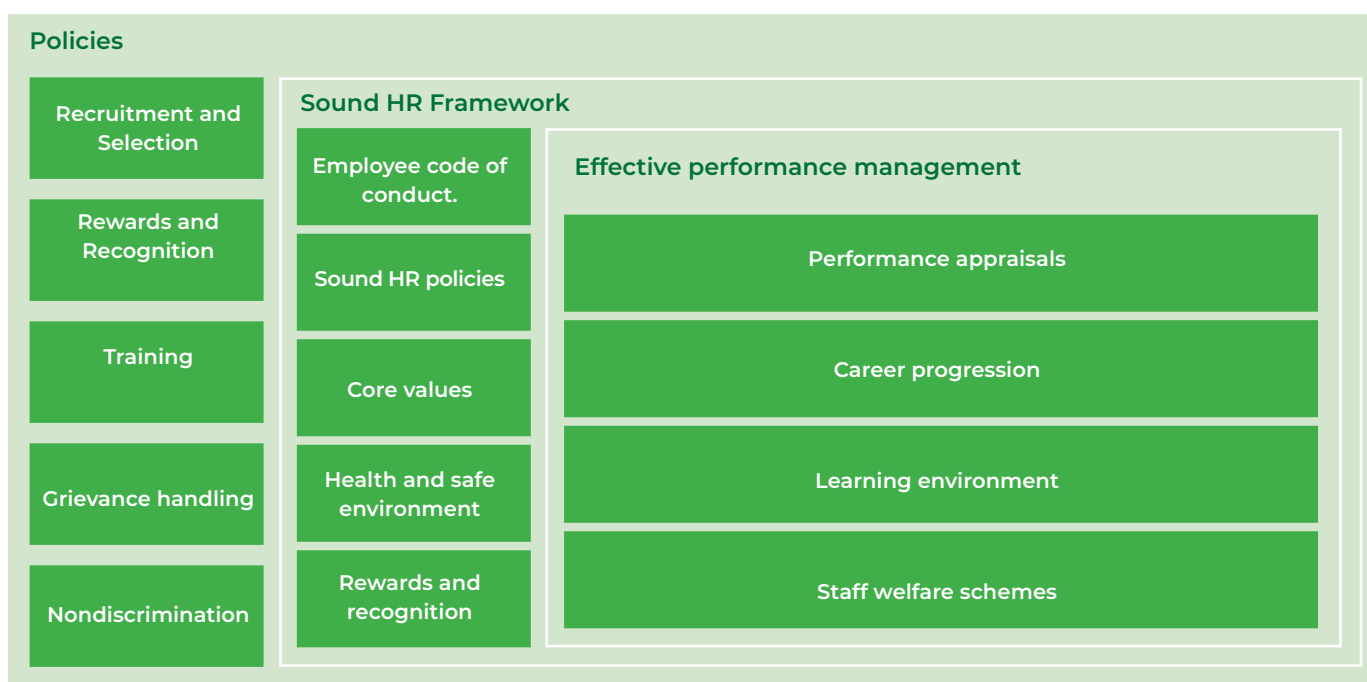
Human Capital

Human Resources play a very important role in achieving company's objectives. Human resources coordinates and converts the financial resources and technical resources to higher value creation for the company. Having a satisfied and contented work force is very vital to survival and growth of the company in this complex operating environment.



Challenges →	Strategic Priorities →	Outlook
- Enhancing productivity - Employee retention in a highly competitive operating environment - Attracting suitable candidates for new roles, post diversification	- Optimising the cadre - Attracting specialised talent for new lending products - Maximizing staff potential by empowerment and creating new development opportunities	Recruitment drive for Recoveries

Human Capital



CAPITAL MANAGEMENT

Engagement

Communication and engagement with our employees are considered a priority, and proactive and continuous dialogue is maintained through both formal and informal mechanisms. These range from annual performance appraisals, staff meetings and other engagements to improve work-life balance such as staff trips, cultural ceremonies and get-togethers.

Rewards and Recognition

The Company's remuneration package includes numerous rewards and benefits ranging from health and life insurance, welfare schemes, retirement benefits, staff loans and other contributions at important junctures such as marriage and/or birth of a child. In terms of performance management, the Company has a systematic and transparent process for all employees. An incentive scheme to reward high performers is in place, while employees are made aware of KPIs.

Career Progression

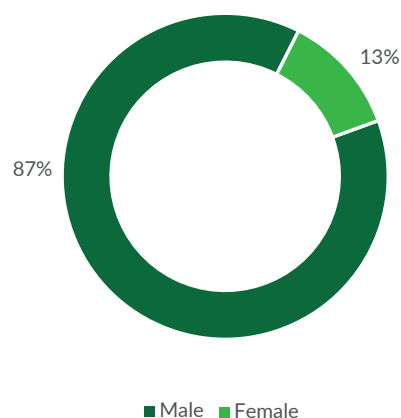
Given the nature of our business, our talent pool is relatively young, and the Company has a structured talent development program consisting of mechanisms to identify, develop and help the progression of high performers.

Training and Development

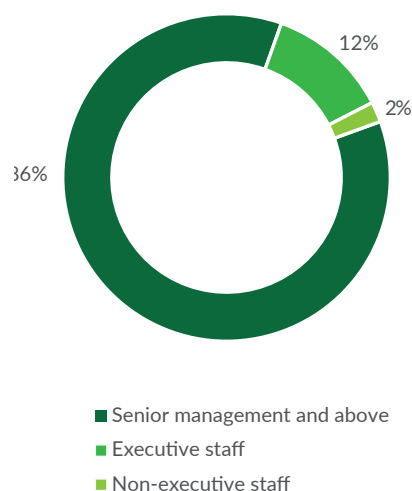
Given the competitive operating environment of our business, the Company invests in creating and maintaining a learning culture to enable our employees to continuously enhance their skills. In addition to leasing, trainings on anti-fraud and anti-money laundering too were conducted during the year, while new trainings for the audit departmentOur team is given access to both internal and external training.

Financial assistance too is provided for professional exams in order to promote continuous learning and knowledge enhancement.

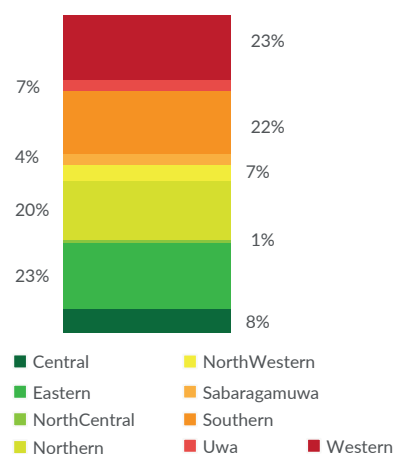
EMPLOYEES BY GENDER



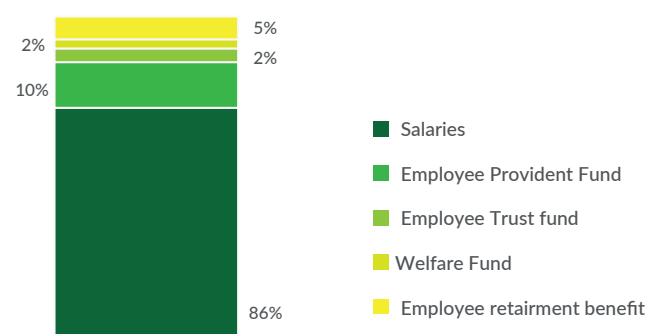
EMPLOYEES BY CATEGORY



EMPLOYEES BY REGION



COMPENSATION BY TYPE



2021

Number of employees

336

Health and Safety

Health and safety of our employees is considered an utmost priority. While overall safety at the workplace is ensured, given our operating model, the most relevant risk of motor accidents of field officers who carry out their daily responsibilities via motor cycles, is given more focus. No one fatality was recorded during the year, 04 injuries were reported. Employees are provided with insurance schemes such as the Suwasahana fund and also a group life insurance scheme for all employees.

Grievance Handling

The Company promotes an open-door policy, ensuring that a structured and transparent process is followed with regards to all employee grievances. In the event of any potential grievances, all such incidents are documented, escalated and evaluated and while all minor grievances are handled by the respective supervisor, the more serious grievances are escalated to a dedicated Grievance Committee.

Retention

Employee retention is an industry-wide challenge, and a risk the company grapples with continuously, given the intense competition for skilled labour between industry operators.

Social and Relationship Capital

In a very competitive business environment with 46 players in NBFi sector maintaining long-lasting strong relationships with the clients of the company is very important to retain them. Company strictly observe 'Client Protection' guidelines issued by Central Bank of Sri Lanka.

Customer Relationships

We cater to a portfolio of diverse clients Micro-financing customers are typically economically underprivileged women, between the ages of 18 and 58 who manage micro and small business enterprises while the SME lending was to customers requiring working capital loans and asset purchases. Business interests range from agriculture, fishing and animal husbandry to wholesale and retail, manufacturing and construction. As at end March 2021, the Company's total customer base recorded 121,146 a slight decrease compared to the previous year as we were compelled to curtail lending to the micro finance sector given the prevalent industry conditions, which was partially offset by an increase in other customer categories given the Company's focus on leasing, gold loan and other secured lending products.

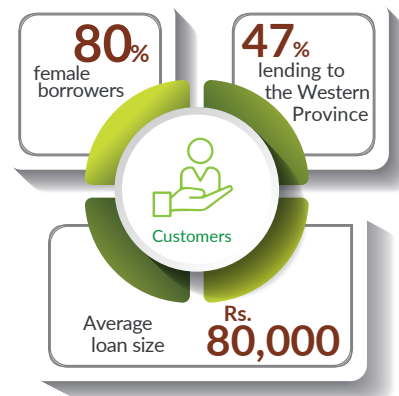
Creating Customer Value

The Company's customer value proposition (as illustrated below) demonstrates the key areas of customer focus in our overall strategy. The value proposition reflects the dynamics of our target market as well as the Company's strategic aspirations.

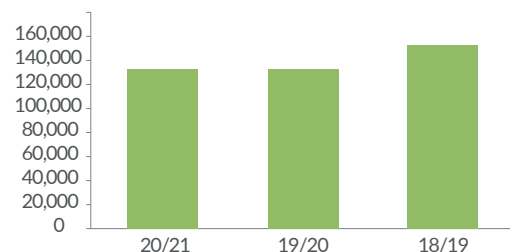
Financial inclusion

We drive financial inclusion by providing access to affordable financing through our main product, micro-financing which is targeted towards the country's most economically vulnerable communities. These facilities contribute directly to entrepreneurial development, economic empowerment and socio-economic progress of these communities. More than 80% of our borrowers are female and the economic empowerment of women has been proven to directly contribute towards the well-being of the family, including health, children's education and housing.

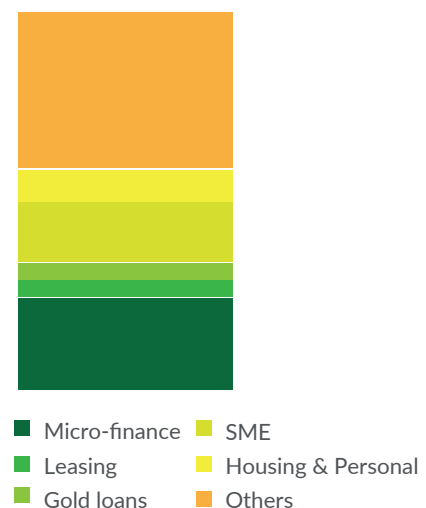
Our products are designed to support clients through various stages of their lives, thereby enabling them to gradually lift themselves out of poverty. Our lending products range from the provision of funding for business start-ups to working capital, business expansion and leasing facilities. Bimpuh also offers deposit products through its branch network including fixed deposits, savings deposits and savings for minors.



NO. OF CUSTOMERS



CUSTOMERS BY PRODUCTS



Social and Relationship Capital

Customer Education and Awareness

The Company's customer value proposition extends beyond that of mere financial support to encompass borrowers' skill development through ongoing training programmes and promotional sessions to educate them on areas such as financing. Some member motivation sessions and member training programs were conducted during the year,

Transparency

Equitable and Fair Treatment

Customer Privacy

Preventing over-indebtedness

Complaint handling and redress

Client Protection

Given the macro economic climate and policy changes in the country during the year, customers' over indebtedness amid a sharp escalation in the prevalence of informal money lenders directly impacted the repayment capabilities of a large proportion of the company's target market. In that regard, and as a licensed finance company and a responsible corporate citizen, we are committed to engaging with customers in an ethical and transparent manner. Comprehensive policy frameworks and documented procedures are in place to ensure that clients are aware of and fully understand all terms related to our services.

Manufactured Capital

In recent years, our focus has been on driving customer reach and efficiencies through increased investment in digital rather than physical infrastructure. Accordingly, in 2020/21 we focused on rationalising our physical network while directing more investments towards our digital infrastructure.

Branch network

The Company broadened the services offered at these branches through the introduction of leasing and gold loan facilities. We continue to be a Company with a strong regional focus with 37 of our contact points located outside the Western Province.

Digital infrastructure

We continue to focus on strengthening our digital infrastructure in order to drive process efficiencies, strengthen credit quality and drive increased automation.

Natural Capital

Our Approach to Human Capital Management

A robust set of policies complying with all relevant laws and regulations as well as industry standards and best practices, underpin the Company's approach towards managing its human capital. In addition, building high performing teams and encouraging a learning environment are considered as core focus in creating overall stakeholder value. Given the dynamic and intensely competitive nature of its operating environment, the Company continuously seeks to develop its teams through in house and external training programs. The Company's Code of Conduct is adhered to by all employees in engaging with both internal and external stakeholders.

Our Approach to Environmental Management

Given the nature of our operations, our direct impact on the environment is limited to the consumption of energy in the form of fossil fuel and electricity, as well as paper. In our journey to improve our environmental performance, we continued to implement efficiency measures, create awareness among employees and enhance our monitoring mechanisms. We are also focused on positively contributing to the environment through the promulgating of sustainable business practices across our network. With increasing impacts of climate change becoming more tangible, during the year we were negatively impacted by the severe droughts in many districts, which directly impacted the repayment ability of borrowers reliant on agriculture.

RISK MANAGEMENT

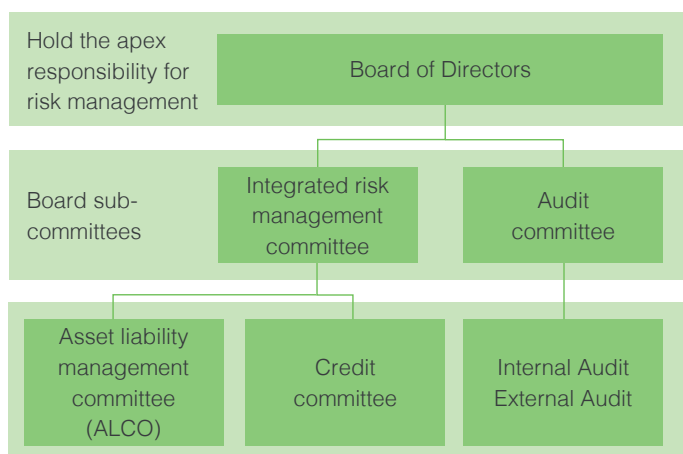
The challenges that prevailed during the year and its impact on our performance underscore the importance of adopting robust and holistic risk management practices. Bimpuh's risk management frameworks comply with all relevant regulatory requirements and reflect the dynamics of the relatively risky target segment we operate in.

Our Approach to Risk Management

The Company's Risk Management framework has been designed to comply with the requirements of the Finance Business Act No.42 of 2011 and relevant CBSL regulations. The Company's risk management framework comprises of robust governance structures, formalized policy frameworks and mechanisms to identify, measure, monitor and report on our key risk exposures.

Governance structure

The Board holds apex responsibility for the oversight of risk which includes determining risk appetite levels, formulating risk policies and ensuring the effectiveness of the risk management processes and procedures in place. The governance structure as illustrated below, clearly defines responsibilities for the identification, measurement, management, monitoring and reporting of risks. Meanwhile mandates of risk-related committees at both Board and Executive level ensure the highest level of accountability for all risk exposures across the organisation.



Divisional Heads

Risks arising from the Company's business model and operations						
Activity	Lend	Fund	Trade	Compete	Operations	Regulated industry
	↓	↓	↓	↓	↓	↓
Risk exposure	Credit Risk	Funding & Liquidity Risk	Market Risk	Strategic Risk	Operational Risk	Compliance Risk
Risks arising from the external landscape						
Government policy, Climate change implications, Competitive intensity						

Policy framework

The Company's risk management framework is founded upon a comprehensive suite of Board approved policies which ensure that risks are identified, measured and reported in a consistent manner across all processes. The policy framework is reviewed and updated regularly to reflect emerging risk exposures.

Risk Culture

We consistently strive to nurture a culture of risk awareness across the Company where all employees are responsible for the identification, management and escalation of risks. Employees are regularly engaged in risk related training programmes.

Stress testing

Stress testing is used to assess the sensitivity of the Company's risk profile to trends in the operating landscape, particularly with regards to macro economic variables. Results obtained from stress testing support several key business processes including strategic planning, risk mitigation and capital planning. The Company conducts stress testing on a routine basis.

Risk landscape

Risk is an inherent element in the Company's business profile and its key risk exposures are summarised in the diagram below;

Principal Risks of 2020/21

Credit Risk

Credit Risks are defined as the potential financial losses arising from the failure of customers to fulfil their contractual obligation. As a lending organisation, credit risk is one of the most significant risks faced by Bimputh. The credit committee continuously monitor the credit risk profile of the Company. Credit risk takes the form of default risk and concentration risk.

Credit Risk Management

The Company maintains stringent pre and post-credit disbursement practices to ensure that credit quality is managed within the defined parameters. Pre-credit mechanisms include customer screening, centralized loan approvals and defining authority levels for loan approval while post-credit practices include consistent monitoring of NPLs, site visits and proactive engagement with borrowers. We also maintain a prudent provisioning policy while collateral is obtained as a secondary measure against possible defaults. Collateral usually takes the form of stock in trade, properties and other fixed assets. Concentration risks arise due to significant exposure to a segment of customers, products or geography. It is managed through setting and monitoring defined exposure limits/caps.

Credit Risk Review in 2020/21

The challenging industry conditions continued to insert pressure on the Company's credit quality. Accordingly, the Company proactively sought growth in its gold loans and asset backed segments, while curtailing exposure to unsecured financing.

Preserving portfolio quality

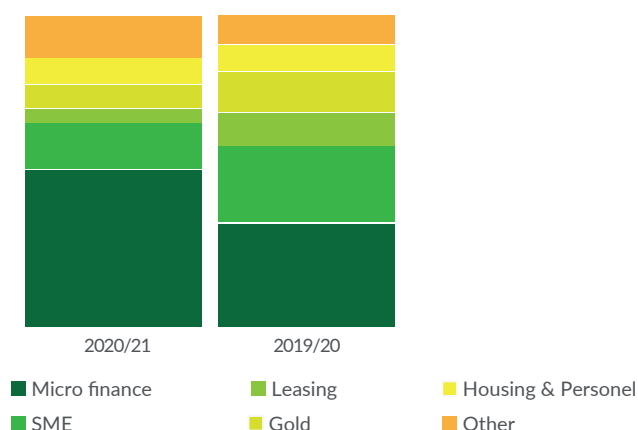
Short-term: Curtail exposure to microfinance facilities

Long-term: Portfolio diversification with increased focus on secured lending products Enhance the credit culture through training on credit evaluation

Market Risk

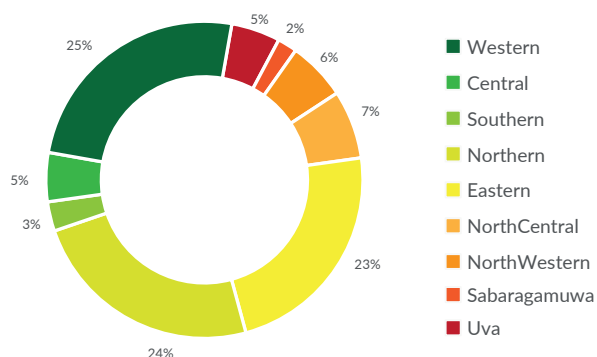
Market Risks are defined as the potential losses to earnings arising from fluctuations in market variables such as interest rates, equity prices and foreign exchange rates. The Company's lending, funding and financial investments gives rise to interest rate risks while investment in shares gives rise to equity risk. The Asset – liability (ALCO) committee holds responsibility for the implementation of market-risk related policies. Movements in market interest rates are consistently monitored along with the Company's asset and liability maturity mismatches.

PORTFOLIO COMPOSITION

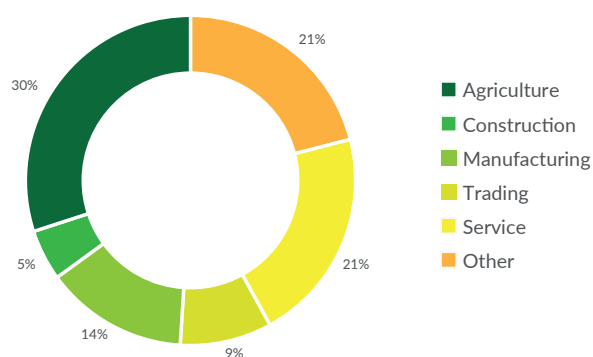


RISK MANAGEMENT

GEOGRAPHICAL BREAKDOWN



SECTOR BREAK UP



Measures in place to mitigate the key types of market risks are given below;

	Possible drivers of risk	Mitigation strategies
Interest rate risk Impact of fluctuating interest rates.	• Movements in interest rates • Need for repricing of assets and liabilities. • Fluctuating net interest margins.	• Monitoring of interest rate movements. • Gap analysis: Evaluating Asset/Liability maturity mismatches. • Sensitivity analysis • Maintain a balanced portfolio of fixed and variable rate assets and liabilities. • More reliance on long term borrowings • Continuous monitoring of risk based capital adequacy levels. • Setting of risk appetites
Equity price risk Impact of changing share prices on the value of equity investments.	• Political uncertainties • Government policies • Macro economic factors.	• Monitoring of economic conditions and share price movements. • Exposure to equity investments are monitored and kept in line with Central Bank guidelines.

Market Risk Review in 2020/21

Interest rate risk

The relatively short-tenured nature of the Company's credit assets and the longer-term maturities of its borrowings allow the Company to mitigate its exposure to interest rate risks. Meanwhile, stress testing is conducted on the potential impact of interest rate movements on the Company's profitability.

Equity risk

The Company's exposure to equity risk is limited, given that investment in equity securities amount to just 1.7% (or Rs.146Mn of total assets by end-March 2021. Fair value losses on quoted shares amounted to Rs. 33.5Mn reflecting the subdued conditions in the Colombo Stock Exchange. As a risk mitigation measure, we continued to maintain equity investments at a minimum 2% of total assets, thus limiting exposure to equity price risks.

Liquidity Risk

Liquidity risk is the potential loss of earnings and/or erosion of capital arising from the inability to meet the Company's obligations in a timely manner as and when they are due. The ALCO holds the responsibility of overseeing the management of liquidity risks and continuously monitors the Company's liquidity position to ensure compliance to regulatory requirements and internal targets. Regular reporting to the Board ensures that liquidity indicators are maintained within the parameters defined in the risk appetite.

The Company faced some funding pressure during the year, as access to foreign currency was limited given the downgrade in the country rating. The Company was compelled to rely on relatively high-cost local borrowings. Meanwhile the capital position weakened during the year, as losses eroded capital. However, a capital infusion of Rs.2.5Bn is expected to strengthen the capital position over the short-term.

Liquidity risk management

Funding risk arises from the inherent mismatch of the Company's asset and liability maturities. It is mitigated by maintaining a diversified funding strategy, setting and monitoring internal targets and maintaining standby credit lines with financial institutions. Meanwhile liquidity indicators are reviewed and reported to the Board on a regular basis. The Company adopts both the flow and fund approaches in measuring liquidity; under the flow approach, liquidity is measured through analysing the mismatch between inflows and outflows while the fund approach utilises a range of variables including liquid assets ratio, liquidity coverage ratio and net stable funding ratio to measure liquidity levels.

Liquidity Risk Review in 2020/21

The Company maintained a comfortable liquidity buffer during the year as the curtailment of lending resulted in stronger liquidity levels. Cash and cash equivalents amounted to Rs. 275Mn (or 4.61% of total assets) as at end-March 2021. The Company also maintains government treasury bills and securities equivalent to 5.35% of its average month-end deposit liabilities and unsecured borrowings. Meanwhile, the statutory liquid asset ratio amounted to 26% by end-March 2021, above the regulatory.

The Company faced some funding pressure during the year, as access to foreign currency was limited given the downgrade in the country rating. The Company was compelled to rely on relatively high-cost local borrowings. Meanwhile the capital position weakened during the year, as losses eroded capital.

RISK MANAGEMENT

Operational Risk

Operational risks are inherent in all aspects of business and is defined as potential losses arising from inadequate or failed internal processes, people and systems or from external events.

	Possible drivers of risk	Mitigation strategies
People	• Difficulties in employee retention • Fraudulent activities • Employee errors • Theft • Misuse of sensitive customer related data	• Segregation of duties • Setting of authority limits • Access controls • Employee engagement • Sound HR policies including grievance policies, etc. • Insurance • Policy manuals
Processes	• System failures • Lack of adequate legal documentation. • Data entry failures • Manipulation of customer confidential information.	• Access controls • Back -up systems • Centralized loan approval processors • Onsite audits by regulator. • Transfers
Other external risks	• Natural disasters • Geopolitical tensions	• Disaster recovery site • Business continuity plans
Risk of failure in technology	• Power outages • Cyber attacks	• Up to date system infrastructure. • Business continuity plan and comprehensive IT plans. • Firewall

Strategic Risk

The risk of losses due to failure or inadequacy of business plans and strategies of the organization.

	Possible drivers of risk	Mitigation strategies
The risk of losses as a result of business plans and strategies being inadequate in dealing with the changing business landscapes.	• Changes in external environment. • Inaccurate projections of costs and other variables. • Inadequate availability of resources.	• Setting of Key Performance Indicators. • Integrated strategic planning. • Budgeting and variance analysis. • Review of business plans • Continuous review of economic and business landscapes.

Legal / compliance

The Financial services industry is subject to stringent regulations imposed by the regulator Central Bank of Sri Lanka. Being up to date and compliant to the regulatory framework is inherent for business continuity and reputation of the company. Hence, the Company has adopted

the following risk mitigation strategies:

1. Dedicated compliance officer monitoring compliance of all requirements.
2. Periodic monitoring and reporting of risk indicators such as capital adequacy ratios.
3. Internal and external audits for an independent verification of the company.

CORPORATE GOVERNANCE

As a Company which mobilises public deposits and lends to a relatively risky target market, a sound framework of structures, policies and processes are vital in managing all our operations. These elements are embedded in our robust corporate governance framework which continues to evolve in keeping pace with our strategic aspirations, as well as regulatory developments and industry best practices.

Governance framework

The Company's corporate governance framework is designed to comply with all relevant regulatory and statutory requirements as well as industry best practices. It is based on the following external and internal steering instruments;

External instruments	Internal standards and principles
• Directions, rules, determinations, notices and guidelines issued by the Central Bank of Sri Lanka • Finance Business Act No 42 of 2011 • Companies Act No 7 of 2007 • Listing Rules of the Colombo Stock Exchange • Code of Best Practice on Corporate Governance issued by the SEC and ICASL 2013 • Finance Leasing Act No. 56 of 2000	• Articles of Association • Company policy frameworks • Board and sub-committee terms of reference

Board of Directors

The Board appointed by the shareholders is the apex governing body and comprises of 4 non executive directors and 1 executive director. Out of the 4 NEDs 2 are deemed independent. The Board is chaired by a NED. An Independent NED acts as the Senior Director of the Board.

Mrs. S. A. Godammune Independent Non Executive Director resigned From the board wef 25th March 2021 with the CBSL approval granted on 20th July 2021.

Mr. K. P. C. S. piyattillake Independent Non Executive Director tendered his resignation on 19th July 2021 and also ceased to be a director due to non attendance of 3 consecutive board meetings. CBSL approval is yet to be received

in place of Mrs. S. A. Godamunne, Mr Upali Hettiarachchi appointed as Independent Non Executive Director on 20th May 2021 with CBSL Approval.

Board mandate

Board responsibilities are clearly set out in the Board Charter and includes the following;

- Formulating the overall strategic direction of the Company and monitoring performance against strategic objectives
- Identification of risks and ensuring that the risk management framework in place is adequate in dealing with these risks
- Identification of authority and key responsibilities of the Board and those of the Senior Management.
- Provide oversight of affairs of the Company to assess the effectiveness of the Company's governance practices.
- Review of policy and progress towards corporate objectives.
- Ensure compliance and adherence to regulatory requirements

Governance Structure

The Board has delegated functions that warrant greater attention to four 4 sub-committees which hold oversight responsibility for the same. This allows the Board to allocate sufficient time to matters within its scope, including formulation of strategy and other forwardlooking agenda items. Several executive committees are also in place to drive implementation of Board strategy relating to specific areas.



CORPORATE GOVERNANCE

Board composition

The Board is diverse in its skills, experience, age and gender representation thereby bringing objectivity and professionalism to the Board. They bring together perspectives from the banking, finance, legal and corporate perspectives enabling them to explore matters from diverse points of view. The Board also has sufficient financial acumen and the details of qualifications and experience are set out on page 6 in this Report.

Role of Chairman & CEO

The Role of Chairman and Chief Executive Officer has been segregated in line with best practices of corporate governance ensuring that no single individual has unfettered power. The Chairman is a non-executive director while the CEO is appointed by the Board.

Director training

Directors receive regular briefings designed to keep abreast of changes in the business and industry landscape and legal/regulatory matters. Directors participate in relevant external training programs, such as those organised by the Central Bank of Sri Lanka and Institute of Directors. Non-executive Directors also have unfettered access to the Chairman & CEO to present matters of concern.

The Company Secretary

The Company Secretary is responsible for advising the Board on all corporate governance matters and ensuring that Board procedures are followed at all times. The Secretary also assists the Directors in obtaining independent, professional advice whenever necessary and all Directors have access to the advice and services of the Company Secretary.

Board calendar and activities

The Board convenes at least monthly and during the year 13 Board meetings were held. Meeting agendas and Board papers are circulated to all Board members electronically via secure platforms and in hard copy form at least 7 days prior to Board and Subcommittee meetings. The agenda is set by the Chairman, assisted by the Company Secretary and CEO. Efforts are made to ensure that sufficient time is spent on matters that are critical to the Company's success in addition to compliance related matters.

Sub-committee	Mandate	Composition
BOARD LEVEL COMMITTEES		
Audit Committee	Ensure that effective systems are in place to secure the integrity of information and internal controls.	• Chaired by Independent, Non-executive Director • 1 Independent Non-Executive Director • 1 Non-Executive Director
Integrated Risk Management Committee	Ensuring that the Company identifies, measures, mitigates and manages its key risk exposures in line with the defined policies and procedures.	• Chaired by the Acting Chairman of the Board • 1 Executive Director • 2 Independent Non-executive Directors • CEO
Remuneration Committee	Recruitment of KMP, determining remuneration of KMP, implementation of succession plan and organizational structure among others.	• Chaired by Independent Non-executive Director • 1 Independent Non-executive Director • 1 Non-Executive Director

Sub-committee	Mandate	Composition
Related Party Transactions Review Committee	Development of a related party transactions policy, updating the Board on any relevant related party transactions and ensuring that appropriate disclosures are made on relevant related party transactions	• 2 Independent Non-executive Directors
EXECUTIVE LEVEL COMMITTEES		
Asset and Liability Committee	Responsible for the management of the Company's market and liquidity risks and management of balance sheet structures	• Chaired by CEO • Deputy Chairman • Head of Finance • Senior Manager Operations • Manager - Business Development
Credit Committee	Responsible for the management of the Company's credit risk within defined parameters	• Chaired by CEO • Deputy Chairman • Head of Finance • Manager-Credit • Compliance Officer • Manager - Business Development
IT Steering Committee	To upgrade the Systems with appropriate modifications and enhancements to facilitate the spectacular growth in operations	• Chaired by CEO • Deputy Chairman • Head of Finance • 2 IT Managers • Senior Executive

Attendance at Board meetings

Director	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Integrated Risk Management Committee meeting	Related Party Transactions Review Committee meeting
Mr. C.K. Gamage	10/13	-	-	4/4	-
Mr. S.A.S. Jayasundara	13/13	-	-	4/4	-
Mrs. S.A. Godamunne	10/13	3/4	1/1	4/4	4/4
Mr. K.P.C.S. Piyatillake	08/13	2/4	1/1	4/4	4/4
Mrs.M.Gamage Brooker	13/13	2/4	1/1	-	-

Director Remuneration

The Remuneration Committee assists the Board in formulating the Remuneration procedure for Directors. The Board is mindful that the remuneration of Directors should be sufficient to attract and retain professionals while being in line with market expectations. The remuneration procedure is transparent and considers the skills and contributions of each Director. Remuneration for NEDs reflects the time commitment and responsibilities of their role, taking into consideration market practices.

The remuneration of the CEO is structured to link rewards to individual and corporate performance and is designed to ensure alignment between the short and long-term interests of the Company. The aggregate remuneration paid to the Directors is disclosed in the Notes to the Financial Statements on page 98 of this Report.

Accountability and Audit

The Company's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act and the Finance Business Act. Furthermore, the Annual Report presents a balanced and comprehensive review of the Company's performance against its strategic targets and included specialised information such as The Statement of Director's Responsibility, Director's Statement on Internal Controls and Independent Auditor's Report etc.

The Board Audit Committee

The Board Audit Committee is chaired by an Independent Nonexecutive Director and comprises solely of Non-executive Directors while the CEO and members of the Corporate Management Team are invited to attend meetings.

CORPORATE GOVERNANCE

Key responsibilities of the Audit Committee include,

- Provide oversight for the Company's financial reporting processes and ensure the integrity of the financial statements
- The appointment of external auditors as well as the review of independence, objectivity and the effectiveness of the audit process
- Ensure the sufficiency and effectiveness of the Company's internal control systems.
- Review the adequacy of the scope, functions and resources of the internal audit department

The Company's external auditors are SJMS Associates and key oversight is provided by the Audit Committee, whose primary relationship is with the Audit Committee. Please refer to page 50 of this Report for the Board Audit Committee Report.

Internal and External Communication

The Company maintains a high level of engagement with shareholders through numerous structured mechanisms. The Annual General Meeting is the main platform which facilitates shareholder engagement; all required procedural requirements including the provision of relevant documents to shareholders are complied with. All Directors including the Chairman of the Audit Committee participate in the AGM and are available to respond to any points raised by shareholders. Other channels which facilitate shareholder communication

include the regular press releases, Company's Annual Report, Corporate website and quarterly performance updates among others. Shareholders are also given the opportunity to direct their suggestions, feedback and comments to the Company Secretary.

Institutional Shareholders

Institutional shareholders account for 4.13% of the Company's total shareholding and are regularly kept informed of the Group's performance trends, matters pertaining to governance and risk management through the Annual Report, announcements to the CSE and press publications. Retail investors are encouraged to participate at the AGM and investor forums and obtain an understanding of the Company's operations and performance. We strive to maintain a continuous and open dialogue with all shareholders whilst ensuring a high level of transparency in all shareholder communications.

Corporate Reporting

The Company has embraced the principles of Integrated Reporting and continued to strengthen its corporate reporting processes to demonstrate its impacts and value creation. In further enhancing our sustainability reporting, we have adopted the GRI Standards this year and hope to further refine and improve our reporting in the coming years. The following sustainability disclosures (as required by the Code) are detailed in our Report.

Compliance to the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

Corporate Governance Principle	SEC/ ICASL Code Reference	Level of Adoption
A. DIRECTORS		
A.1 The Board		
The Board	A.1	Adopted The Board comprises of 5 professionals whose profiles are given on page 06. Directors bring together a set of diverse skills, perspectives and industry experience, thereby enhancing the quality and depth of discussions and decision making.
Meetings of the Board	A.1.1	Adopted 13 Board Meetings were held during the year 2020/21 at regular monthly intervals and details of meetings and individual attendance are provided under the Corporate Governance Section in this Annual Report.
Responsibilities of the Board	A.1.2	Adopted Board responsibilities are set out in the Board Charter and include guidance in formulating strategy, monitoring effectiveness of implementation, establishing systems of risk management and internal control and developing a framework of policies, among others.

Access to independent professional advice	A.1.3	Adopted Directors are free to seek independent professional advice in fulfillment of their duties at Company's expense where necessary.
Company Secretary	A.1.4	Adopted All Directors are able to obtain the services of the Company Secretary as and when required. The Company Secretary is responsible for ensuring the Board procedures are followed and that applicable rules and regulations are complied with.
Independent judgement of Directors	A.1.5	Adopted As experienced professionals, Directors use their independent judgement relating to issues of strategy, performance and business conduct. The composition of the Board ensures that there is sufficient balance of power.
Dedication of adequate time and effort by Directors	A.1.6	Adopted Board papers are circulated well in advance, providing adequate time for Directors to review all relevant information. Members of the corporate management team also regularly make presentations to the Board on emerging risks and opportunities in the industry landscape, regulatory environment and other operations.
Training for Directors	A.1.8	Adopted Directors are encouraged to participate in training sessions organized by the Sri Lanka Institute of Directors, seminars, workshops and symposia of relevance conducted by the Central Bank of Sri Lanka and other regulatory authorities.

A.2 Chairman and Chief executive Officer

Chairman and Chief executive Officer	A.2.1	Adopted The roles of the Chairman and Chief executive Officer are separated in line with best practice to ensure that no one individual has unfettered powers of decision making.
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A.3 Role of the Chairman

Role of the Chairman	A.3.1	Adopted The Chairman provides leadership to the Board, preserving order and ensuring that all Directors contribute effectively.
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A.4 Financial Acumen

Availability of sufficient financial acumen and knowledge	A.4	Adopted Please see the profiles of Directors page 06
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A.5 Board Balance

Presence non-executive directors	A.5.1	Adopted The Board comprises 5 Directors, of whom 4 are non-executive, facilitating an appropriate balance of power.
Independent Directors	A.5.2	Adopted Two non-executive Directors are deemed independent.
Independence evaluation review	A.5.3	Adopted All Independent Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.
Signed declaration of Independence	A.5.4	Adopted Independent Non-Executive Directors have made written submission as to their independence.
Determination of the Independence of the Directors by the Board	A.5.5	Adopted The Board has determined that the submission of declarations by the Non-Executive Directors as to their independence is a fair representation and will continue to evaluate annually.

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Alternate Director	A 5.6	Not applicable as no alternate director has been appointed.
Senior Independent Director	A 5.7 & 5.8	Adopted The roles of the Chairman and the Chief executive Officer are segregated. As required by the Central Bank of Sri Lanka, the Board has appointed the Independent / Non -executive Director Mrs. S.A Godamunne as the Senior Independent Director.
Meeting of Non-Executive Directors	A 5.9	The Chairman meets with the Non- executive Directors without the presence of the executive Directors as and when necessary.
Recording of concern in Board minutes	A 5.10	There were no matters of special concern raised by the Directors during the year that need to be recorded in the Board minutes.
A.6 Supply of Information		
Information to the Board	A.6.1	Adopted Management provides the Board with appropriate and timely information and additional information as requested by the Board. The Chairman ensures that all Directors are briefed on the issues arising at Board Meetings.
Providing minutes, agenda and papers to Board members with sufficient time for effective Board Meetings	A 6.2	Adequate time is provided to the Board of Directors to review minutes, agenda and papers pertaining to Board Meetings.
A.7 Appointment to the Board		
Nomination Committee	A.7.1	Not adopted The entire Board is involved in appointment of new Directors. Board believes that this is a more meaningful and transparent process.
Assessment of Board Composition	A.7.2	Adopted The Board of Directors collectively assesses the Board composition in deciding the adequacy of the combined experience and knowledge in successfully addressing the strategic demands encountered by the Company where such findings are made use of in determining new Board appointments.
Disclosure of details of new Directors	A.7.3	Adopted. A brief resume of each new Director appointed is forwarded to the Central Bank of Sri Lanka in addition to such information being revealed in the Annual Report of the Company. Public announcements are made for the notice of interested parties through the Colombo Stock Exchange.
A.8 Re-election		
Appointment of Non-executive Directors	A.8.1	Adopted To the extent applicable and provided for by the Articles of Association of the Company.
A.9 Appraisal of Board Performance		
Board Performance	A.9.1 to A.9.3	Adopted The performance of the Board and Board appointed Committees is appraised by the Chairman and the Board to ensure that they are discharging their responsibilities in accordance with the Board Charter.
A.10 Disclosure of information in respect of Directors		
Details in respect of Directors	A.10.1	Adopted Information specified in the code regarding Directors including the name, qualifications, expertise, material business interests, and brief profiles are given in this Annual Report.

A.11 Appraisal of the Chief executive Officer		
Financial and non-financial targets for CEO	A.11.1	Adopted At the beginning of every fiscal year performance targets for the Chief Executive Officer are set which are aligned with the short, medium and long-term strategic objectives of the Company.
Annual evaluation of the performance of CEO	A.11.2	Adopted Evaluation of the performance of the CEO is an on-going process.
B. DIRECTORS' REMUNERATION		
B.1 Remuneration Procedures		
Remuneration Committee composition, functions and responsibilities	B.1.1 to B.1.3	Adopted The Board Remuneration Committee is responsible for providing recommendations to the Board regarding the remuneration of executive Directors. No individual Director is involved in determining his/her own remuneration.
Remuneration of Non-executive Directors.	B.1.4	Adopted The remuneration of non-executive Directors is sufficient to attract and retain professionals and is in line with industry reward schemes.
Access to professional advice	B.1.5	Adopted A related Board-approved policy is in place.
B.2 Level and make-up of the Remuneration		
Remuneration of Directors	B.2.1 to B.2.4	Adopted Remuneration and benefits of Directors and KMP are determined in accordance with the Company's remuneration policies and are designed to attract and retain high performing, qualified and experienced employees.
executive share options and performance related payments scheme	B.2.5 to B.2.8	Not applicable. The Company currently does not have a share option scheme in place.
Remuneration of Non-executive Directors	B.2.9	Adopted Non-executive Directors are paid in line with market practices.
B.3 Disclosure of Remuneration		
Disclosure of Remuneration	B.3.1	Adopted The Report of the Remuneration Committee is given on page 49 of this Report and the aggregate remuneration paid to Directors is disclosed in Note 10 to the Financial Statements.
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings		
Conduct of Annual General Meetings	C.1.1 to C.1.5	Adopted The AGM provides a platform for all shareholders to participate in decision making matters. The Chairman ensures that the Chairmen of the Board Audit Committee is present at the AGM to respond to any queries raised by shareholders. All matters relating to the conduct of AGMs are carried out in accordance with the Code and the Articles of Association.
C.2 Major Transactions		
Major Transactions	C.2.1	Not applicable. There were no transactions which would materially affect the Company's net assets apart from those disclosed in the Director's Report on pages 46 to 48 and the Notes to the Financial Statements.

CORPORATE GOVERNANCE

D. ACCOUNTABILITY AND AUDIT		
D.1 Financial Reporting		
Statutory and Regulatory reporting	D.1.1	Adopted The Annual Report presents a balanced review of the Company's financial position and performance. The Report includes the Annual Report of the Board of Directors, Statement of Director's Responsibility and Director's Statement on Internal Controls. The financial statements are prepared and presented strictly in conformance to the laws, regulations, codes and directions issued by regulatory and supervisory authorities.
Directors' Reports and the Auditor's Statement	D.1.2 to D.1.5	Adopted All required Reports and Statements are included in the Annual Report.
Summoning an EGM to notify serious loss of capital	D.1.6	Not Applicable Should the situation arise an EGM will be called and shareholders will be notified.
D.2 Internal Control		
Annual evaluation of internal control system	D.2.1	Adopted The Board is responsible for formulating an adequate framework of internal control and risk management systems. The IRMC assists the Board in discharge of its risk management duties while the AC assists the Board in the discharge of its internal control duties. The Directors' Statement on Internal Control and Independent Auditor's Report thereon are on pages 50 and 52 respectively.
Internal Audit function	D.2.2 to D.2.4	Adopted The Internal Audit function of the Company report directly to the Audit Committee.
D.3 Audit Committee		
Composition, terms and conditions of the Audit Committee	D.3.1 to D.3.4	The Board Audit Committee comprises of 3 non-executive Directors and the summary of its activities for the year under review are given on page 52 of this Report. The Chairman of the Audit Committee is an Associate Member of the Chartered Institute of Management Accountants UK.
D.4 Code of business conduct and ethics		
Code of business conduct and ethics	D.4.1 D.4.2	Adopted The Company's code of ethics is applicable to all Directors and employees and is in compliance with the requirements of the Code of Best Practice.
D.5 Corporate Governance Disclosures		
Corporate Governance Report	D.5.1	Adopted Details on the Company's corporate governance practices and developments are given on page 28 to 41 of this Report.
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder Voting		
Institutional Shareholders	E.1.1	Adopted Approximately 4.13% of the Company's shareholders are institutional shareholders, with whom the Company maintains an ongoing, constructive dialogue.
E.2 Evaluation of Governance Disclosures		
Evaluation of the Corporate Governance initiatives	E.2	Adopted Institutional Investors are encouraged to give due weightage to all relevant factors relating to Board structure and composition.

F OTHER INVESTORS		
F.1 Investing / Divesting decision		
Other investors	F.1	Adopted Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on investing or divesting decisions
F.2 Shareholder Voting		
Individual shareholder voting	F.2	Adopted The AGM is an effective platform for shareholder engagement and all individual shareholders are encouraged to exercise their voting rights.

Finance Companies (Corporate Governance) Direction No.3 of 2008 and subsequent amendments thereto, issued by the Central Bank of Sri Lanka

Corporate Governance Principle	CBSL Regulation Reference	Level of Compliance
2. The responsibilities of the Board of Directors		
Approving and overseeing the finance Company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance Company;	2 (l) a & b	Complied The Board is responsible for ensuring that all strategic objective of the Company are achieved. The board is making every endeavor to comply with all the requirements specified in the Direction.
Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	C	Complied Company's overall risk policy and risk management procedures which have been outlined in line with the overall business strategy are reviewed by the Integrated Risk management Committee (IRMC) at its meetings.
Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	D	Complied A Board approved detailed policy on communication with the relevant stakeholders is in place.
Reviewing the adequacy and the integrity of the finance Company's internal control systems and management information systems;	E	Complied Continuous and ongoing reviews are conducted on the adequacy and integrity of the internal control and management information systems by board sub committees - Assets and Liability Committee (ALCO), Audit Committee (AC) and Integrated Risk Management Committee (IRMC) and suggestions and recommendations are submitted to the board.
Identifying and designating Key Management Personnel, who are in a position to: (i) Significantly influence policy; (ii) Direct activities; and (iii) Exercise control over business activities, operations and risk management;	F	Complied Board of Directors Identify and designate "Key Management Personnel".

CORPORATE GOVERNANCE

Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel;	G	Complied The Board has defined the areas of authority and key responsibilities of the Board members. The areas of authority and responsibilities of Key Management Personnel have been defined in their job descriptions.
Ensuring that there is appropriate oversight of the affairs of the finance Company by Key Management Personnel, that is consistent with the finance Company's policy;	H	Complied The affairs of the Company are reviewed and monitored by the Board of Directors through the CEO and it ensures that the Key Management Personnel and other members of the Executive Management exercise appropriate oversight on the activities of the Company.
Periodically assessing the effectiveness of its governance practices, including: (i) The selection, nomination and election of Directors and appointment of Key management Personnel; (ii) The management of conflicts of interests; and (iii) The determination of weaknesses and implementation of changes where necessary;	I	Complied The Board ensures that it periodically assesses its own governance practices including selection, nomination and election of Directors and appointment of Key Management Personnel, management of conflicts of interests and the determination of weaknesses and implement changes where necessary.
Ensuring that the finance Company has an appropriate succession plan for Key Management Personnel;	J	Complied Board approved succession plan for Key Management Personnel is in place.
Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	K	Complied Members of the Executive Management are invited to Board meetings where they are required to explain matters relating to their areas of responsibility and to assist the Board in reviewing related Policies.
Understanding the regulatory environment;	L	Complied The Directors and Key Management Personnel are informed of all changes to the regulatory environment. Understanding is facilitated through discussions, training and seminars for Directors and Key Management Personnel.
Exercising due diligence in the hiring and oversight of External Auditors.	M	Complied The Board appointed Audit Committee reviews the hiring and oversight of the external auditors.
Chairman and Chief executive Officer	2 (2)	Complied The Board has appointed the Chairman and Chief Executive Officer and has defined and approved the functions and responsibilities of the Chairman and the Chief Executive Officer.
Independent Advice	2 (3)	Complied Directors are given the opportunity to seek independent advice on matters relating to the Company at Company's expense.
Directors voting in matters of interest	2 (4)	Complied Procedure is in place to avoid conflict of interests among Directors.
Formal schedule of matters to the Board	2 (5)	Complied All matters relating to the direction and control of the Company are firmly under the authority of the Board.
Situation of Insolvency	2 (6)	This situation has not arisen.

Corporate Governance Report	2 (7)	Complied The Corporate Governance Report on pages 31 to 41 of this Annual Report provides all relevant information.
Self-assessment by Directors	2 (8)	Complied Directors engage in self-appraisal at least annually.
3. Meetings of the Board		
Number of Meetings	3 (1)	Complied The Board meets at least monthly, please refer to page 34 for details on attendance.
Inclusion of Proposals by Directors in the Agenda	3 (2)	Complied Proposals from Directors on promotion of business and any other areas relevant to the progress of the Company are encouraged, entertained and included in the Agenda for regular meetings.
Notice of Meetings	3 (3)	Complied Directors are given at least seven (7) days prior notice of Board Meetings and a reasonable time period for other meetings, allowing sufficient time for preparation.
Non-attendance of Directors	3 (4)	This situation has not arisen.
Board Secretary	3 (5)	Complied Head of Legal acts as the Secretary to the Board and performs all activities in compliance with what is specified in the relevant regulations.
Agenda for the Board Meetings	3 (6)	Complied The Board Secretary prepares the Agenda as delegated by the Chairman.
Access to the Board Secretary	3 (7)	Complied All Directors have access to the services of the Secretary of the Board.
Minutes of the Meetings	3 (8)	Complied Minutes of the meetings are maintained by the Board Secretary and all Directors have access to the same.
Details of Minutes	3 (9)	Complied Minutes are maintained in sufficient detail.
4. Minutes are maintained in sufficient detail.		
Number of Directors	4 (1)	Complied The Board consists of five Directors, which include 4 non-executive Directors and 1 executive Director.
Period of service of a Director	4 (2)	Complied No Director exceeds nine years of service.
Appointment of an employee as a Director	4 (3)	Complied Number of executive Directors does not exceed one half of the total number.
Independent Non-executive Directors	4 (4)	Complied Number of Independent Non-executive Directors exceeds one fourth of the total number of Directors.
Alternate Directors	4 (5)	This situation has not arisen.
Credibility, skills and experience of Non-executive Directors	4 (6)	Complied Please see profiles of Directors.
Meetings of Board without Non- executive Directors	4 (7)	Complied As per the attendance of the Board Meetings during the year ended 31.03.2021, the required quorum has been maintained at all Board Meetings
Details of Directors	4 (8)	Complied Please see profiles of Directors.

CORPORATE GOVERNANCE

Appointment of new Directors	4 (9)	Complied A formal and transparent procedure is in place for appointment of Directors.
Appointment to fill a casual vacancy in the Board	4 (10)	Complied A Director appointed during the year to fill a casual vacancy will stand for election by shareholders at the forthcoming Annual General Meeting
Resignation / removal of a Director	4 (11)	During the year under review Mrs. Godamunne (Indipendant Non-Executive director) resigned from the Board on 25th March 2021 with the CBSL approval granted on 20th July 2021.

5. Criteria to assess the fitness and propriety of Directors

Directors over 70 years of age	5 (1)	Complied None of the Directors serving on the Board has reached the age of 70.
Holding of office in more than 20 entities	5 (2)	Complied. None of the Directors hold office in more than 20 entities.

6. Delegation of Functions

Delegation of work to the Management	6 (1)	Complied Delegation of functions is carefully evaluated and does not in any way affect or reduce the authority and ability of the Board.
Evaluation of delegated process	6 (2)	Complied Delegation process is reviewed at regular intervals.

7. The Chairman and Chief executive Officer

Division of responsibilities of the Chairman and Chief executive Officer	7 (1)	Complied The roles of Chairman and CEO are separated and held by two different individuals appointed by the Board.
Chairman preferably be an Independent Director and if not appoint a Senior Director	7 (2)	Complied The Chairman is not considered independent. Board has appointed Mrs. S. A Godamunne, Independent Non -executive Director as the Senior Director.
Relationship between Chairman and Chief executive Officer and Other Directors	7 (3)	Complied Please see profile of Directors.
The Chairman shall: (a) provide leadership to the Board; (b) ensure that the board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	7 (4)	Complied The requirements specified are adhered to by the Chairman in discharging his duties. The self-evaluation process of the Company ensures that the said requirements are fulfilled.
The Chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The Chairman may delegate the function of preparing the agenda to the Company Secretary.	7(5)	Complied Company Secretary prepares the agenda for the Board meeting and the Chairman approves the same.
The Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	7(6)	Complied The requirement specified are adhered to by the Chairman in discharging his duties.

The Chairman shall encourage each Director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance Company.	7(7)	Complied The requirement specified are adhered to by the Chairman in discharging his duties.
The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between Executive and Non-Executive Directors.	7(8)	Complied The requirement specified are adhered to by the Chairman in discharging his duties.
As per the direction No. 03 of 2008 on Corporate Governance issued by Central Bank of Sri Lanka, the Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	7(9)	Complied As per the organization chart approved by the Board, the Chairman does not directly get involved in the supervision of Key Management Personal or to involve in any other executive duties.
The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	7(10)	Complied Shareholders are given the opportunity to express their views on matters of interest to them at Annual General Meetings.
The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the finance Company's operations and business.	7(11)	Complied CEO functions as the apex Executive of the Company supported by the Executive Management.

8. Board appointed Committees

Board appointed Committees	8 (1)	Complied The Board has appointed four (4) Committees, namely Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee
Audit Committee	8 (2)	Complied Please see Audit Committee Report on page 54.
Integrated Risk Management Committee	8 (3)	Complied Please see Integrated Risk Management Committee Report on page 52.

9. Related party transactions

Avoiding conflict of interests in related party transactions and favorable treatment	9 (2) to 9 (4)	Complied The Board has taken necessary steps to avoid conflict of interests in transactions with related parties and to ensure that no related party receives any favorable treatment. Please refer note 33 of the Financial Statements and the Report of the Related Party Transactions Review Committee on page 55 for details on all related party transactions.
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CORPORATE GOVERNANCE

10. Disclosures		
Financial reporting	10 (1)	Complied Annual audited and periodic financial statements are prepared and published in conformity with all rules and regulatory requirements.
Disclosure in the Annual Report	10 (2)	Complied All required disclosures are made in the Annual Report.

(c) Listing Rule 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange

Corporate Governance Principle	CSE Rule Reference	Level of Compliance
2. The responsibilities of the Board of Directors		
Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors	7.10.1	Complied Four out of five Directors are Non-executive Directors
Two or one-third of Non-Executive Directors, whichever is higher, should be independent.	7.10.2	Complied One third of the Non-executive Directors are Independent.
The Board shall make determination of Independence/ Non-Independence annually and Names of Independent Directors should be disclosed in the Annual Report.	7.10.3(a)	Complied (Please refer page 47)
In the event a director does not qualify as an independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	7.10.3 (b)	The situation did not arise.
Disclosures relating to Directors	7.10.3 (c)	Complied Please see profiles of Directors.
A brief resume of any new Director appointed to the Board should be provided to the Exchange for Dissemination to the public.	7.10.3 (d)	Complied Information relating to new appointments are notified to relevant authorities as required.
Requirements for meeting criteria to be independent	7.10.4 (a-h)	Complied All Independent Directors of the Company met The criteria for independency specified in this rule.
Remuneration Committee	7.10.5 (a) to (c)	Complied Please see Remuneration Committee Report (Page 53)
Audit Committee	7.10.6 (a) to (c)	Complied Please see Audit Committee Report. (Page 54)

ANNUAL REPORT OF THE BOARD OF DIRECTORS

General

The Directors of Bimputh Finance PLC is pleased to present to its shareholders, their Report on the affairs of the Company, alongside the Audited Financial Statements for the year ended 31st March 2021.

Bimputh Finance PLC is a public limited liability company incorporated in Sri Lanka on 27th July 2007 under Companies Act, No. 7 of 2007 and is licensed as a finance company by the Central Bank of Sri Lanka, as per the Finance Business Act, No. 42 of 2011 and Finance Leasing Act, No. 56 of 2000.

The Company shares are listed in the Colombo Stock Exchange. The Registered Head Office and principal place of business is located at No. 362, Colombo Road, Pepiliyana, Boralesgamuwa.

Vision, Mission and Values

The Company's Vision, Mission and Values are given on page 16 of the Report and were further expanded to include all stakeholders. The business activities of the Company are carried out at the highest levels of ethical standards towards accomplishing its Mission and Vision.

Principal Activities

There have been no significant changes in the nature of the principal activities of the Company during the year under review. The Company continued to focus on Deposit Mobilisation of Savings and Term Deposits, Micro financing, Lease financing, Gold, Housing and Personal loans, Foreign Currency Exchange business and provision of other authorized financial services.

Review of Operations

A review of operations of the Company, its progress and prospects are discussed in the Chairman's statement, Chief Executive Officer's Review and the Management Discussion and Analysis on pages 4, 5, 14, 15 respectively. These statements form an integral part of the Annual Report of the Board of Directors.

Financial Statements

The financial statements for the year ended 31st March 2021 are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act, No. 7 of 2007.

The financial statements for the year ended 31st March 2021 have been duly approved by the Board of Directors and signed by Head of Finance and two Directors and appear on page 55.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of financial statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that the financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKAS / SLFRS), Companies' Act, No. 7 of 2007, Finance Business Act, No. 42 of 2011, Listing Rules of the Colombo Stock Exchange and the Finance Company's (Corporate Governance) Direction No. 3 of

2008 issued by the Central Bank of Sri Lanka.

The Statement of the Directors' Responsibility for Financial Reporting is given in the Report.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of financial statements are disclosed in the Report. There were no changes to the accounting policies and they are consistent with those adopted in the previous year.

Independent Auditor's Report

Auditors of the Company, Messrs SJMS Associates, Chartered Accountants carried out the audit of the financial statements for the year ended 31st March 2021 and their Report there of is on page 54. They were paid Rs. 1,558,160.16 as audit fees. Apart from that the Company has not engaged the External Auditors for any other permitted non-audit service.

The Auditors have confirmed that they do not have any relationship or interests in the Company other than those disclosed above.

After obtaining the consent of both Messrs SJMS Associates and Messrs BR de Silva & Co. New Audit firm to be changed from next year.

The Board of Directors

At balance sheet date, the Board comprised five Directors with extensive financial, commercial and management, experience and expertise. The names of the Directors who were on the Board at balance sheet date are as follows:

Mr. S.A.S.Jayasundara - NED / Acting Chairman
Mr. C.K. Gamage - Deputy Chairman / ED
Mrs. S.A. Godamunne - IND/NED
Mr. K.P.C.S. Piyatillake - IND / NED
Mrs. M. Gamage - Brooker - NED

NED - Non-Executive Director, ED - Executive Director,
IND - Independent Director

Appointment and resignation of directors

Mrs. S. A. Godammune Independent Non Executive Director has resigned From the board wef 25th March 2021 with the CBSL approval granted on 20th July 2021.

Mr.K. P. C. S. piyatillake Independent Non Executive Director has tenderd his resignation on 19th July 2021 and also ceased to be a director due to non attendance of 3 consecutive board meetings. CBSL approval is yet to be received

in place of Mrs. S.A. Godamunne, Mr Upali Hettiarachchi has appointed as Independent Non Executive Director on 20th May 2021 with CBSL Approval.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Board Appointed Committees

The Board, while assuming the overall responsibility for the management of the Company, has appointed following committees as mandated by the supervisory and regulatory authorities to ensure that operations are conducted at the highest ethical standards and in the best interests of all stakeholders.

The names of the Directors appointed to such committees are as follows: -

Audit Committee

Mrs. S A Godamunne - Ind. N-Ex. Director (Chairman)
Mr. K P S C Piyatilleke - Ind. N-Ex. Director
Mrs. M Gamage - Brooker- N-Ex. Director

The Report of the Audit Committee is on page 50

Integrated Risk Management Committee

Mr. S A S Jayasundara - Acting Chairman (Chairman)
Mr. C K Gamage - Deputy Chairman
Mr. P Niranjana - CEO
Mrs. S A Godamunne - Ind. N-Ex. Director
Mr. K P C S Piyatilleke - Ind. N-Ex. Director

The Report of the IRMC is on page 48

Human Resource & Remuneration Committee

Mrs. S A Godamunne - Ind. N-Ex. Director (Chairman)
Mrs. M Gamage - Brooker- N-Ex. Director
Mr. K P C S Piyatilleke - Ind. N-Ex. Director

The Report of the Remuneration Committee is on page 49

Related Party Transactions Review Committee (RPTRC)

Mr. K P C S Piyatilleke - Ind. N-Ex. Director (Chairman)
Mrs. S A Godamunne - Ind. N-Ex. Director

The Report of the RPTRC is on page 51.

Management Committees

Besides the four Board appointed committees the following management committees have been set up by the Board with clearly defined responsibilities to assist in the overall management of the Company.

The composition of the management committees is as follows: -

1. Credit Committee

Mr. P Niranjana - CEO (Chairman)
Mr. C K Gamage - Deputy Chairman
Mr. D Somarathna - Manager-credit
Mr. H Nashwaq - HOF
Mr. S Amarasinghe - Compliance officer
Mr. K. Rajawasam - Manager Business Development

2. Assets and Liabilities Management Committee

Mr. P Niranjana - CEO (Chairman)
Mr. C K Gamage - Deputy Chairman
Mr. H Nashwaq - HOF
Mr. Romesh Christy - Operations Manager
Mr. K. Rajawasam - Manager Business Development

3. Information Technology Steering Committee (ITSC)

Mr. P Niranjana - CEO (Chairman)
Mr. C K Gamage - Deputy Chairman
Mr. H Nashwaq - HOF
Mr. R Tharanga - IT Manager
Mr. A Wanasingha - IT Manager
Mr. Asoka Udayakumara- Member

Directors' Meetings

The details of meetings held by the Board and the Board appointed Committees and individual attendance of Directors thereat during the year under review are as follows: -

Names	Director Status	Board	Number of meetings held and attendance			
			Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. C.K. Gamage	Deputy Chairman	10/13	-	4/4	-	-
Mr. S.A.S. Jayasundara	NED	13/13	-	4/4	-	-
Mrs. S.A. Godamunne	IND/NED	10/13	3/4	4/4	1/1	4/4
Mr. K.P.C.S. Piyatilleke	IND/ NED	08/13	2/4	4/4	1/1	4/4
Mrs. M.Gamage Brooker	NED	13/13	2/4	-	1/1	-

Directors' Interests Register

The details relating to Directors' interests, direct and indirect, and related party transactions are duly recorded in compliance with the requirements of the Companies Act, No. 7 of 2007. Details of such transactions and contracts are disclosed in Note 33 to the Financial statements.

Directors' Interests in the Shares of the Company

The shareholdings of Directors of the Company as at the beginning and end of the financial year under review were as follows:

Name of the Director	31st March 2020	31st March 2021
Mr. C.K. Gamage	3,697,865	3,697,865
Mr. S.A.S. Jayasundara	-	-
Mrs. S.A. Godamunne	-	-
Mr. K.P.C.S. Piyatillake	-	-
Mrs. M.Gamage Brooker	8,151,200	8,151,200

Company Secretary and Registrars

Mrs. Kashmi Kapuwella, Attorney-at-Law, Head of Legal continues as the Secretary to the Company and Messrs SSP Secretarial Services (Pvt) Ltd. functions as Registrars of the Company.

Directors' Remuneration

Fees and emoluments paid to Directors for the year ended 31st March 2021 are disclosed in Note 10 to the financial statements.

Stated Capital

The Stated Capital of the Company as at 31st March 2021 was Rs. 616,100,061 consisting 107,733,344 ordinary shares of Rs. 5/- each. The details of the stated capital are given in Note 30 of the financial statements.

Share Information

Information relating to earnings, net assets and market prices of shares is given on page 55 of the Report.

Shareholdings

There were 1041 registered shareholders as at balance sheet date. The distribution, public holdings, thirty largest shareholders and share prices are given on page 96.

Going Concern

The Board of Directors, after satisfying themselves that the Company has adequate resources to continue its operations in the foreseeable future financial statements are prepared based on the going concern concept

Corporate Governance

The Company is committed to maintain the highest standards in corporate governance to ensure transparency, accountability and integrity in all its activities. The corporate governance practices of the Company are set out on page 31 of the Report.

Internal Controls

An effective and comprehensive system of internal controls, covering all company operations in general has been set up the Board of Directors in order ensure proper and timely recording of financial transactions, strict adherence to corporate governance and risk management measures, compliance with regulatory requirements required for a sound business operation.

These checks and balances are continually reviewed and updated to safeguard the assets of the Company and the interests of all stakeholders in general.

Transactions with Related Parties

Details of related party transactions are disclosed in the financial statement under Note 33. The Directors confirm that any related party transaction entered in to is compliant with the relevant rules

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government other statutory bodies and relating to the employees have been paid up-to-date.

Compliance with Laws and Regulations

The Directors confirm, to the best of their knowledge, that the Company has not engaged in any activity in violation of laws or regulations. There have been no irregularities involving the management or employees that could have a material effect, financial or otherwise on the Company.

Environmental Protection

The Directors are satisfied that the Company has not engaged or financed any activity which causes adverse effects on the environment. Directors further confirm that to the best of them knowledge and belief the Company has complied with the relevant environmental laws and regulations

Property, Plant and Equipment and Intangible Assets

Capital Expenditure incurred by the Company on property, plant, equipment and intangible assets and their improvements during the year are disclosed in Notes 23 and 24 to the financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Market Value of Freehold Properties

The value of free-hold properties owned by the Company as of 31st March 2021 is included in the financial statements at Rs. 91 Mn. Details of the freehold properties are given in Note 23 to the financial statements.

Corporate Donations

No corporate donations were made during the year under review.

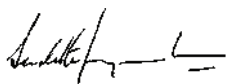
Litigation

The Board of Directors confirms that no litigation was pending against the Company at reporting date.

Annual General Meeting

The 14th Annual General Meeting of the Company will be held at the Auditorium of the company, No. 362, Colombo Road, Pepiliyana, Boralesgamuwa on 20th January 2023. The details of the Annual General Meeting are given in the Notice of the Meeting on page 98 of the Report.

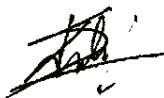
For and on behalf of the Board



Sudath Jayasundara
Acting Chairman



Chamindra Gamage
Deputy Chairman



(Mrs.) Kashmi Kapuwella
Company Secretary
19th December 2022

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Responsibility

In line with section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka, the Board of Directors presents this statement on internal control.

The Board of Directors is responsible for the adequacy and effectiveness of the systems of internal control in place at Bimpu Finance PLC (the Company). Such internal control systems are primarily designed to manage the Company's key areas of risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has established an on-going process of identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board appointed Committees in accordance with the guidelines issued by the Institute of Chartered Accountants of Sri Lanka.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements. The Management assists the Board in the implementation of the Board's policies and procedures on risks and control by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and to control such risks.

Key Features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following: -

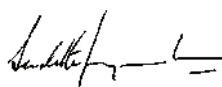
- Several Board appointed Committees and Management Committees have been set up to assist the Board in ensuring the effectiveness of the Company's daily operations and that such operations are in accordance with the corporate objectives, strategies and the annual budget as well as policies and business directions that have been approved.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report.

- The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audit are submitted to the Audit Committee for review at its periodic meetings.
- In assessing the internal control systems over financial reporting, identified officers of the Company continue to review and update all procedures and controls that are connected with significant accounts and disclosures in the Financial Statements. These in turn are checked by the internal audit for suitability of design and effectiveness on an ongoing basis.
- The Audit Committee reviews internal control issues identified by the Internal Audit Division and also the regulatory authorities and evaluate adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews internal audit functions with particular emphasis on the scope and quality of audits. Audit Committee proceedings are forwarded to the Board on a periodic basis.
- The comments made by the External Auditors on internal control systems during the annual audit are taken into consideration and appropriate steps are taken to improve the systems where necessary.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) and regulatory requirements of the Central Bank of Sri Lanka.

For and on behalf of the Board



Sudath Jayasundara
Acting Chairman



Chamindra Gamage
Deputy Chairman



(Mrs.) M. Gamage - Brooker
Member-
Audit Committee

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Companies Act No 7 of 2007, Finance Business Act No 42 of 2011 and other statutes applicable for the preparation of financial statements require Directors to ensure that the Company keeps accounting records which correctly record and explain the Company's transactions and prepare and present to the shareholders financial statements that give a true and fair view of the state of affairs of the Company as at reporting date. The Directors are also responsible to have in place appropriate systems of internal controls to safeguard the assets of the Company and for the prevention and detection of frauds and other irregularities.

The financial statements comprise the statement of comprehensive income, statement of financial position as at 31st March 2021, statement of changes in equity and the statement of cash flow for the year ended and notes thereto.

The Directors are required to ensure that in preparation of financial statements, appropriate accounting policies have been applied in a consistent manner, all applicable accounting standards have been followed and reasonable and prudent judgments and estimates have been made in accordance with the Companies Act, No. 7 of 2007, Finance Business Act, No. 42 of 2011, Sri Lanka Accounting Standards (LKAS / (SLFRS)), and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the view that the Company has adequate resources to continue operations in the foreseeable future and have applied the going concern basis in the preparation of the financial statements.

The Auditors have examined financial statements made available to them together with all other financial reports, minutes of shareholders' and Directors' meetings and related information. The Directors have provided the Auditors every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities.

The Directors are of the opinion that internal systems and procedures in place are capable of safeguarding the assets and preventing and detecting frauds and other irregularities

and ensuring the accuracy and completeness of accounting records and timely preparation of financial statements

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

The Directors reiterate that despite the disclaimer made by Auditors, the Company is confident it can meet all its financial obligations entered in to with any other party. Further, the Directors emphatically attribute the said discrepancies highlighted by the Auditors as owing to data migration issues which had taken place whilst making adjustment to accommodate the financial moratorium granted to the borrowers to which the IT system was not compatible

The intermitted lockdown and travel restriction prevented providing the requested verification to the Auditors which would have further delayed the finalisation of Audit report. Therefore the Directors decided to proceed as is and endeavour to comply with the regulatory requirement.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By order of the Board



(Mrs.) Kashmi Kapuwella
Company Secretary

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The main role and responsibilities of IRMC, setup in terms of Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka are to assist the Board in fulfilling its oversight responsibilities for all aspects of risk management.

The following Directors and officers served as members of the IRMC.

Mr. S.A.S.Jayasundara – NED - Chairman
Mr. C.K. Gamage – Deputy Chairman / ED
Mrs. S.A. Godamunne - IND / NED
Mr. K.P.C.S. Piyatillake - IND / NED
Dr. P Niranjan - Chief Executive Officer

Roles and Functions

The roles and functions of the IRMC are specified in the CBSL Direction. The Committee is required among other things to:

- Recognize the existence of risks and the impact such risks would have on the Company assets.
- Formulate, adopt and implement appropriate strategies, procedures and measures to manage such risks at acceptable levels, minimising potential damage or loss to the Company assets and maximising rewards and profits.
- Monitor the implementation and measure the performance of risk management measures adopted with a view to improving the effectiveness of such measures on an ongoing basis.
- Review the adequacy and effectiveness of all management level committees.

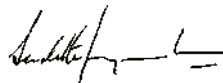
During the period under review the Committee met four (4) times and reviewed together with other Heads of Departments, all risk management measures presently in place and assessed the risks encountered and the efficiency of the measures adopted and suggested improvements where necessary. The Committee is satisfied that the risk management measures in place provide a reasonable assurance that the Company assets are adequately secured and the integrity, transparency and accountability are maintained in all operations and activities of the Company.

The staff were made aware of the risks attendant upon the business of financing and the measures adopted to manage such risks at minimum possible level.

All matters relating to risk management taken up at Committee meetings were further discussed at the Board level when monthly financial position is reviewed.

Besides the conventional risks, such as credit, market, interest rate and liquidity etc., the Company strongly believes that the reputational risk is crucial and critical for financial institutions.

As such, the IRMC lays great emphasis on compliance with regulatory requirements on corporate governance. The Committee, though satisfied that adequate risk management measures are in place, emphasised that such measures need to be reviewed, revised and upgraded regularly in view of the rapid expansion in the operations and the diversity of products and services offered.



Sudath Jayasundara

Chairman

Integrated Risk Management Committee

REMUNERATION COMMITTEE REPORT

In accordance with the 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 and the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange, the Remuneration Committee was set up. At balance sheet date, the Committee comprised the following Directors.

Mrs. S.A. Godamunne – IND / NED – Chairman

Mrs. M. Gamage- Brooker - NED

Mr. K.P.C.S. Piyatillake - IND / NED

In addition to the responsibilities relating to Directors as dictated in the above Code and Listing Rules, the Committee reviews the compensation packages of other staff, as per the request of the Board. The Committee meets as and when required and reviews the remuneration and other perquisites structures of the Directors and the executives of the Company with those of the competitors and recommends appropriate action to the Board.

The Chief Executive Officer participate in the meetings upon invitation. All issues taken up at the Committee meetings are referred to the Board in due course. The Directors are not paid any additional remuneration for their role as Remuneration Committee members.



Mrs. M. Gamage- Brooker

Member

Remuneration Committee

AUDIT COMMITTEE REPORT

In conformity with regulatory and supervisory requirements in the Code of Best Practice on Corporate Governance, Listing Rules of the Colombo Stock Exchange and Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka.

The following Directors served the Audit Committee as at reporting date.

Mrs. S.A. Godamunne – IND / NED - Chairperson
Mr. K.P.C.S. Piyatillake – IND / NED
Mrs. P.M.K. Gamage – NED

The Chairperson of the Committee, Mrs. S.A. Godamunne, is an Associate Member of Chartered Institute of Management Accountants (UK) and counts nearly forty years experience in Finance and Management. Assistant Manager (Internal Audit) functions as the Secretary of the Committee.

Terms of Reference

The Audit Committee assists the Board in fulfilling its responsibilities relating to all affairs of the Company. The Committee has been empowered, among other things, to;

- Examine internally any matter concerning the financial affairs of the Company.
- Monitor and evaluate in detail internal and external audit programmes and internal controls, and review their reports.
- Examine the effectiveness of all aspects of the audit program and advise on updating as required.
- Periodically review and ensure compliance with statutory, regulatory and supervisory requirements.
- Review and approve annual financial statements and interim financial statements.
- Analyse and review the risks and examine the adequacy and efficacy of the internal control systems and procedures.
- Evaluate the suitability of the internal audit plan, monitor and review the success and value of the internal audit.
- Approve the terms of engagement of the external auditors, ensure their independence and objectivity, and evaluate their performance.

Meetings

The Committee met four times during the year.

The Chief Executive Officer, Head of Finance and the Engagement Partner of External Auditors participated at meetings by invitation. Proceedings of the meetings are reported regularly to the Board of Directors.

The Committee, among other things, carried out the following activities during the year :

- Reviewed Internal audit reports on branch audits with special attention to micro finance operations.
- Discussed with the responsible officers, including Branch Managers, methods in which to improve areas identified by the auditors as needing improvement
- Reviewed alongside the Board and approved annual and interim financial statements
- Approved the internal audit plan for the year at the beginning of the year and monitored its implementation.
- Reviewed the findings of the internal audit and followed up the progress and corrective action on matters highlighted.
- Reviewed the risk management strategy and procedures and also the compliance with statutory and regulatory requirements.
- Discussed with External Auditors their Management Letter issued after the completion of the statutory audit and the Management's response thereto.

As the industry grows and encounters new challenges, the Committee feels that continued close monitoring is vital to ensuring that the Company's business operations are secure. External Auditors The Committee is authorised to recommend the appointment of the External Auditors. The Committee is satisfied that there is no conflict of interests or cause to compromise the independence and objectivity of the present external auditors Messrs SJMS Associates.

The Committee accordingly recommends to the Board that the present Auditors Messrs SJMS Associates be re-appointed as the External Auditors for the financial year ending 31st March 2021 a subject to the approval by the shareholders at the forthcoming Annual General Meeting.



Mrs. M. Gamage- Brooker
Member
Audit Committee

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC) REPORT

The Committee set up in terms of Listing Rules of the Colombo Stock Exchange comprise the following Directors.

Mr. K.P.C.S. Piyatillake – IND / NED - Chairman

Mrs. S.A.Godamune – IND / NED

The objectives and the policy of the RPTRC is to independently review, appraise and approve all related party transactions to ensure that shareholders interests and assets of the Company are safeguarded.

The RPTRC has reviewed all reported party transactions during the financial year to ensure that all rules and regulations are adhered to and communicated the comments/observations to the Board of Directors whenever necessary.

The main responsibilities of the Committee include the following;

- Ensuring that the policy on related party transactions are being implemented as per the regulations of the Colombo Stock Exchange.
- Making market disclosures on applicable related party transactions as required by the Listing Rules in the Annual
- Report of the Company
- Informing the Board of Directors on the Company's related party transactions
- Handling the related party relationship, to the best interest of the Company

There were Four committee meetings within the reporting period and reviewed the related party transactions carried out by the Company.



Upali Hettiarachchi

Chairman

Related Party Transactions Review Committee

(due to non- availability of 2020/21 committee members)

INDEPENDENT AUDITOR'S REPORT



SJMS Associates
Chartered Accountants
No. 11, Castle Lane
Colombo 04
Sri Lanka

Tel: +94 11 2580409, 5444400
Fax: +94 11 2582452
www.deloitte.com

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Bimpu Finance PLC (the Company), which comprise the statement of financial position as of 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. We were not provided with sufficient appropriate audit evidence and explanation for the significant differences noted as detailed below between the loans and advances balances as per the sub-ledgers and the general ledger accounts (Note 20 to the financial statements) as at 31 March 2021:

(Amount in LKR)

Particulars	Balance as per Sub-Ledger	Balance as per General Ledger and The Financial Statements	Difference as at 31 March 2021
MORATORIUM LOAN (RECEIVABLE)			
-CAPITAL ADVANCE	213,992,824	(28,611,945)	242,604,769
-INTEREST RECEIVABLE	64,095,040	446,836,752	(382,741,712)
OTHER LOANS AND ADVANCES	2,591,834,205	2,409,633,814	182,200,391
GOLD LOAN	409,193,605	392,863,899	16,329,706

Consequently, we were unable to comment on the existence, completeness and valuation of the loans and advances balances reflected in the Statement of Financial Position as at 31 March 2021 and its consequential impact recognition of interest income and the Impairment loss in the Statement of Comprehensive Income for the period ended on that date.

2. From the sample of branches selected for cash balance verifications, as of 31 March 2021 we noted that the physical cash balances at Sevenagala, Mullaitivu and Peliyana branches were lower by LKR 157,800, LKR 215,668 and LKR 186,000 respectively when compared to the cash balance as per the General Ledger. Further, we noted that the physical cash balances at Automated Teller Machines (ATM) located at the Sevanagla and Ampara Branches were lower by LKR 266,700 and LKR 75,300 respectively when compared with the ATM balance as per the general ledger. We also noted negative cash balances of LKR 230,980 and LKR 356,894 in the general ledger accounts of Valaichenai and Jaffna branches respectively.

In the absence of sufficient information, explanation and adequate evidence to validate the cash balance as per the general ledger we are unable to comment on the existence and valuation of cash balance as at 31 March 2021 as reported

in and its consequential impact on these financial statements.

3. We were also not provided with sufficiently appropriate audit evidence for the selected sample of journal entries, including certain entries that impact matters/account balances reported under items 1 and 2 above. Consequently, we were unable to satisfy ourselves regarding the validity and appropriateness of the journal entries posted to the general ledger during the financial year.

4. We draw attention to note 2.8a to the financial statement related to preparation of the financial statements on going concern basis. As stated in the said note, as at the year end the Company has not complied with the Capital Adequacy and the Minimum Core Capital requirements of the Central Bank of Sri Lanka and same has also not been regularized till the date of this report. Consequently, the Central Bank of Sri Lanka (CBSL) imposed additional sanctions on the Company from accepting any fresh deposits with effect from 15 October 2021 over existing sanctions of providing cap on existing deposits taken by the Company. Further, continued non-compliance with the Capital Adequacy and the Minimum Core Capital requirements could result in revocation of license by the CBSL.

INDEPENDENT AUDITOR'S REPORT

The Management has failed in implementing the management plan described in the previous year financial statements to mitigate uncertainty related to going concern existing as at the end of the previous year. However, the management has continued to prepare its financial statements on a going concern basis on the belief that a major shareholder of the Company would introduce funds required to meet the capital requirements of the company. This is however is dependent on a favorable settlement of a claim lodged under the Revival of Underperforming Enterprises and Underutilized Assets Act No. 23 of 2011.

Further, in the absence of adequate supporting documents, we are unable to assess the ability of major shareholder to provide the said financial support within the timelines stipulated by CBSL.

These conditions indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, we have not been provided with sufficient and appropriate evidence to determine whether the use of the going concern assumption in the preparation of the financial statements is appropriate.

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.

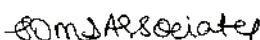
Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have not obtained all the information and explanations that were required for the audit (as described in the Basis for Disclaimer of Opinion Section). Accordingly, we are unable to report whether the Company have been kept proper accounting records.



SJMS ASSOCIATES

Chartered Accountants
Colombo

09th November 2022

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021	Note	2020/21	2019/20
		Rs.	Rs.
Interest income	5	720,920,352	1,530,737,883
Interest expense	6	(766,297,037)	(1,015,660,817)
Net interest income		(45,376,685)	515,077,066
Fee and commission income	7	15,713,192	111,983,946
Other income	8	142,737,565	168,596,028
		113,074,072	795,657,040
Impairment loss on financial assets	34.1.3	(38,254,648)	(466,414,934)
Net gain/ (loss) from financial instruments at fair value through profit or loss	9	(33,560,040)	1,758,056
Changes in revaluation surplus in investment properties		201,912,426	-
Personnel costs	10	(171,634,330)	(233,792,769)
Administration expenses		(328,633,307)	(568,700,352)
Loss on derecognition of financial assets		-	-
Finance and other expenses		(83,828,696)	(26,264,154)
Profit/ (loss) from operations		(340,924,523)	(497,757,112)
Profit/ (loss) before tax on financial services and income tax		(340,924,523)	(497,757,112)
Tax on financial services - VAT and NBT		(9,625,597)	-
Profit / (loss) before income tax	11	(350,550,120)	(497,757,112)
Income tax expense	12	-	(22,370,539)
Loss for the year		(350,550,120)	(520,127,651)
Other comprehensive income (OCI) , net of income tax			
Other comprehensive income will not be reclassified to profit or loss			
Actuarial gain/ (loss) on defined benefit plans		(365,800)	(3,515,292)
Deferred tax on actuarial gain/ (loss) on retirement benefit		-	-
Changes in revaluation surplus		28,170,783	-
Deferred tax on land revaluation		-	-
Total other comprehensive income/ (expense) for the period		27,804,983	(3,515,292)
Total comprehensive income/ (loss) for the year net of tax		(322,745,137)	(523,642,943)
Earning/ (loss) per share - Basic	13	(3.25)	(4.83)

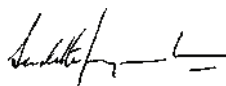
STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2021	Note	2020/21	2019/20
		Rs.	Rs.
Assets			
Cash in hand and at bank	14	275,476,370	173,266,904
Placements with bank and other financial institutions	15	130,606,386	396,342,906
Financial instruments - fair value through profit or loss	16	106,108,258	145,493,181
Debt instruments at amortised cost	17	132,688,576	324,854,971
Equity instruments at fair value through OCI	18	193,900	193,900
Loans and advances	19	2,954,334,596	5,048,977,628
Tax receivable	20	110,629,825	132,914,186
Other receivables	21	126,231,084	218,917,669
Investment properties	22	1,769,396,426	1,146,881,174
Property and equipment	23	288,274,518	294,431,774
Right of use assets	24	69,850,439	109,452,772
Intangible assets	25	17,789,433	22,903,857
Deferred tax assets	12.3	-	-
Total assets		5,981,579,810	8,014,630,922
Liabilities			
Borrowings	26	4,114,648,470	5,459,981,985
Due to customers	27	1,249,629,988	1,607,607,079
Other payables	28	73,396,438	69,021,015
Lease liability	24.1	89,727,189	103,441,960
Retirement benefit obligations	29	33,723,813	31,379,834
Total liabilities		5,561,125,897	7,271,431,873
Equity			
Stated capital	30	616,100,061	616,100,061
Statutory reserve	31	71,842,325	71,842,325
Revaluation reserve		51,390,783	23,220,000
Retained earnings		(318,879,257)	32,036,663
		420,453,912	743,199,048
Total liabilities and equity		5,981,579,810	8,014,630,922
Net Assets per share		3.9	6.9

I certify that the financial statements comply with the requirements of the Companies Act No.7 of 2007.



Head of Finance
Hussain Nashwaq



Sudath Jayasundara
Chairman
Integrated Risk Management Committee
9th November 2022



Mrs. M. Gamage- Brooker
Member
Remuneration Committee
9th November 2022

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2021	Share capital Rs	Statutory reserve Rs	Revaluation reserve Rs	Retained earnings Rs	Total Rs
Balance as at 1 April 2019	616,100,061	71,842,325	23,220,000	555,679,606	1,266,841,992
Profit for the year	-	-	-	(520,127,651)	(520,127,651)
Other comprehensive income, net of tax	-	-	-	(3,515,292)	(3,515,292)
Balance as at 31 March 2020	616,100,061	71,842,325	23,220,000	32,036,663	743,199,048
Profit/ (loss) for the year	-	-	-	(350,550,120)	(350,550,120)
Other comprehensive income, net of tax	-	-	28,170,783	(365,800)	27,804,983
Balance as at 31 March 2021	616,100,061	71,842,325	51,390,783	(318,879,257)	420,453,912

The accounting policies and notes from 1 to 37 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2021	Note	2020/21	2019/20
		Rs.	Rs.
Loss before tax		(350,550,120)	(497,757,112)
Interest expenses	6 & 24.1	780,760,723	1,030,124,503
Depreciation	23.1 & 24	15,091,417	87,099,628
Amortization of intangible assets	25	5,687,425	5,634,850
Impairment loss on financial assets	34.1.3	38,254,648	466,414,934
Provision for gratuity	29	30,948,864	5,591,943
(Profit)/ loss on disposal of assets		(4,511,743)	3,106,297
		866,231,335	1,597,972,155
Operating profit before working capital changes		515,681,215	1,100,215,042
(Increase)/ decrease in placements with bank and other financial institutions		265,736,520	269,829,091
(Increase)/ decrease in fair value through profit or loss		39,384,923	(1,758,055)
(Increase)/ decrease in debt instruments at amortised cost		192,166,395	(21,811,207)
(Increase)/ decrease in loans and advances and lease receivables		2,056,388,385	616,801,498
(Increase)/ decrease in other receivables and inventory		92,686,585	(6,081,246)
Increase/ (decrease) in due to customers		(354,786,678)	(343,518,220)
Increase/ (decrease) in other payables		4,375,423	11,651,003
		2,295,951,552	525,112,864
Cash generated from operating activities		2,811,632,767	1,625,327,906
Interest expense paid		(816,468,425)	(1,013,379,008)
Gratuity paid	29	(6,686,325)	(5,121,025)
Income tax paid		-	(23,955,870)
Net cash flow from operating activities		1,988,478,017	582,872,003
Cash flows from investing activities			
Purchase of property and equipment		(1,704,936)	(23,269,216)
Purchase of intangible assets		(573,000)	(92,000)
Proceeds from disposals of property plant and equipment		(659,290)	571,456
Purchase of investment property		(546,433,331)	(370,303,042)
Lease advance paid		-	(8,697,500)
Net cash inflow/ (outflow) from investing activities		(549,370,557)	(401,790,302)
Net cash inflow/ (outflow) before financing activities		1,439,107,461	181,081,701
Cash flows from financing activities			
Proceeds from loans	26.2	526,840,498	2,577,467,564
Repayments of loans	26.2	(1,849,168,165)	(3,167,780,180)
Repayment of principal portion of lease liabilities		(13,714,771)	(18,874,709)
Net cash inflow/ (outflow) from financing activities		(1,336,042,438)	(609,187,326)
Net increase/ (decrease) in cash & cash equivalent		103,065,023	(428,105,625)
Cash and cash equivalent at the beginning of the year		(216,461,234)	211,644,391
Cash and cash equivalent at the end of the year		(113,396,211)	(216,461,234)
Analysis of cash and cash equivalents			
Cash in hand and at bank	14	275,476,370	173,266,904
Bank overdrafts	26	(388,937,059)	(389,728,137)
Cash and cash equivalent at the end of the year		(113,460,689)	(216,461,234)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

1. Corporate information

1.1 General

Bimpuh Finance PLC (the Company) is a public limited liability company, incorporated and domiciled in Sri Lanka. The Company was incorporated in Sri Lanka on 27 July 2007 under the companies Act No. 07 of 2007. The registered office and the principal place of business of the Company are located at No. 362, Colombo Road, Pepiliyana, Boralesgamuwa.

Parent Entity & Ultimate Parent Entity

The Company does not have an identifiable parent on its own.

Number of employees

The staff strength of the company as at 31 March 2021 was 351 (494 as at March 31 2020).

1.2 Principal activities and nature of operations

The Company is engaged in the business of micro finance. It provides micro finance for persons engaged in the cultivation of cash crops and other crops, micro enterprises, self-employed persons and other individuals and groups including those with minimal or no access to security and working capital. Further the company provides term loans, finance leases, hire-purchase assets financing other than the micro financing activities.

1.3 Date of authorization for issue

The Financial Statements of the Company for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 26 October 2022.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Company (statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies

Act No.07 of 2007 and provide appropriate information as required by the Finance Business Act. No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

2.2 Responsibility for financial statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company as per the provision of the Companies Act No. 07 of 2007 and SLFRSs and LKAS.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of financial position, all of which are measured at fair value.

- Financial assets fair value through profit and loss measured at fair value
- Investment properties and freehold land are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at reporting date Liability of defined benefit obligation is recognized as the present value of the defined benefit obligation

2.4 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency and presentational currency. There was no change in the Company's presentation and functional currency during the year under review.

2.5 Comparative information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 - presentation of financial statements. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

2.6 Presentation of financial statements

The items in statement of financial position of the Company are grouped by the nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months

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

2.8 Use of significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in the outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgments and estimates.

In the process of applying the Company's accounting policies, the management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

a. Going concern

The company has not met the required minimum total capital adequacy ratio of 11% under direction No.03 of 2018 issued by Central Bank of Sri Lanka (CBSL) and the Company is required to have 2.5 billion as core capital by 01.01.2021 as per the direction of Finance Business Act no 2 of 2017. However, based on the financial statements as of 31/03/2021' Core capital of the company is only LKR 139.5. Further the Company has made losses in the current and previous financial years amounting to Rs. 378 Mn and Rs. 520 Mn respectively. Considering the above non compliances with CBSL capital requirements, CBSL has issued a freezing order against accepting of new public deposit with effect from 15 October 2021.

"The above events and conditions indicate material uncertainty and the Company's ability to continue as a going concern. However, despite these events and conditions, the Company has prepared its financial statements on a going concern basis on below plans which are yet to be materialized.

- Based on the discussions held with several financial institutions, the management of the Company is confident on the willingness of the financial institutions to provide financial assistance, The management has also noted that the Company possess around Rs. 1,300 Mn worth of un-pledged financial and non-financial assets which could be provided as collaterals in obtaining any further financial assistance from the institutions. The Company also met the covenants applicable to its financial liabilities outstanding as of the reporting date.
- With the objective of improving the financial performance, the Company has introduced various measures to reduce overhead costs.
- The Company expects to re-evaluate its position to merge with another Licensed Finance Company as requested by CBSL under its consolidation plan."

b. Taxation

The Company recognized 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, deferred tax amounts in the period in which the determination is made.

The Company recognized 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, deferred tax amounts in the period in which the determination is made.

c. Impairment losses on financial assets

d. Deferred taxation

e. Defined benefit plans

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

In determining the appropriate discount rate,

NOTES TO THE FINANCIAL STATEMENTS

management considers the interest rates of Sri Lankan Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

e. Defined benefit plans

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

In determining the appropriate discount rate, management considers the interest rates of Sri Lankan Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

f. Fair value of Investment Properties

"The company carries its Investment Properties at fair value, with changes in fair values being recognized in the Statement of Profit or Loss. The company engages an independent valuation specialist to determine the fair value investment properties in terms of SLFRS 13, (Fair value measurement). Details of investment properties including methods of valuations are given in Note 23 to the financial statement.

2.9 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.

3. Changes in accounting policies

4. General accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes mentioned in Note 3 to the financial statements.

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks. For the purpose of the statement of cash flow, cash and cash equivalents consist of cash, short-term deposits and bank overdrafts.

4.2.1 Financial instruments - Initial recognition, classification and subsequent measurement

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trade means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

4.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

4.2.3 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the income statement over the tenor of the financial instrument using effective interest rate method. In the events where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

4.2.4 Measurement categories of financial assets and financial liabilities

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) or
- Fair value through profit or loss.(FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments are measured at FVTPL.

4.2.4 (a) (i) Financial assets at amortised cost :

The Company only measures loans and other financial investments, at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost consist of cash and bank balances, placement with bank and financial institutions, Debt instruments and loans and advances.

4.2.4 (a) (i) Financial assets at amortised cost : (Contd.)

Details of the above conditions are outlined below:

Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets

held within that business model) and, in particular, the way those risks are managed

- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The SPPI test

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at 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).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

4.2.4 (a) (ii) Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which

NOTES TO THE FINANCIAL STATEMENTS

case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non-quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 19 to the financial statements.

4.2.4 (a) (iii) Fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charged to profit or loss. Financial assets measured at FVPTL are subsequently recorded in the statement of financial position at fair value. Changes in fair value, gains / (losses) from trading and dividend income are recognised in the income statement under other income. Company has considered the fair value of quoted shares as of 31 December 2019 based on the Guidance Notes on Accounting Considerations for the COVID 19 Outbreak issued by CA Sri Lanka.

FVTPL assets comprise of Investments in quoted shares.

4.2.4 (a) (iv) Financial Liabilities - Borrowings and customer deposits

After initial measurement, financial liabilities are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The company does not have compound financial instruments which contains both a liability and an equity component and require separation as at the date of the issue.

Currently, the Company has recorded borrowings and customer deposits as Financial Liabilities at Amortised Cost.

4.2.5 Classification and subsequent measurement of financial liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

- (i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

- a) Financial liabilities held for trading

- b) Financial liabilities designated at fair value through profit or loss

- (ii) Financial liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

i. Financial liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in income statement.

ii. Financial liabilities at amortised cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft', 'due to customers', and 'borrowings' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

ii. Financial liabilities at amortised cost (Contd.)

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

4.2.6 Reclassifications of financial assets and financial liabilities

From 1 April 2019, the Company does not reclassify its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2019/20.

4.2.7 Derecognition of financial assets and financial liabilities

(a) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4.2.8 Impairment of financial assets

4.2.9

4.2.10 Write-off of financial assets at amortised cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount.

Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

4.2.11

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment

was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

4.2.12 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

4.3 Leases

4.3.1 Policy applicable after 1 April 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a. The Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease 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.

b. The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease

NOTES TO THE FINANCIAL STATEMENTS

incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 25 and are subject to impairment in line with the Company's policy as described in Note 4.4.4 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

4.3.2 Policy applicable before 1 April 2019

The Company as lessee - Operating leases

Operating leases are accounted for on a straight-line basis over the periods of the leases and are included in Administration expenses.

4.4 Non-financial assets

4.4.1 Property & equipment and right -of- use assets

(i) Recognition and measurement

Property & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on property, plant & equipment. Initially property and equipment are measured at cost. Right- of -use assets are presented separately in the Statement of Financial Position.

(ii) Cost model

The Company applies the cost model to property & equipment except for freehold land and buildings and records at cost of purchase or construction

together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

(iii) Subsequent cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognised in the carrying amount of an asset. The costs associated with day-to-day servicing of property and equipment are recognised in the income statement as incurred.

(iv) Revaluation model

The Company applies the revaluation model to the class of freehold land and building . Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses and accumulated depreciation. Freehold land of the Company are revalued every three years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

4.4.1 Property & equipment and right -of- use assets (Contd.)

(v) Depreciation

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

The rates of depreciations are given below;

Asset Category	Depreciation rate (per annum)	
	2020/21	2019/20
Buildings	5%	5%
Furniture and fittings	20%	20%
Motor vehicles	20%	20%
Office equipment	20%	20%
Computers and accessories	20%	20%

(vi) De-recognition

Property and equipment is de-recognised 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 income statement in the year the asset is de-recognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

4.4.2 Investment properties

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

(i) Basis of recognition

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

(ii) Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The Company applies the fair value model for investment properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40) "Investment Property". Accordingly, land and Buildings classified as investment properties are stated at fair value.

(iii) De-recognition

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment properties only when there is a change in use.

4.4.3 Intangible assets

The intangible assets include the value of computer software cost of purchased licenses. 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.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(i) Amortisation

Amortisation is calculated using the straight-line method to write-down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Category	Amortisation rate (per annum)	
	2020/21	2019/20
Computer Software	20%	20%

The residual value of the intangible asset is zero.

4.4.4 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset 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 the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

4.5 Retirement benefit obligations**4.5.1 Defined benefit plan**

The defined benefit obligation measured using the projected credit unit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on Sri Lanka government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximately to the terms of the related obligation.

NOTES TO THE FINANCIAL STATEMENTS

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

4.5.2 Defined contribution plans

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(i) Employees' provident fund

The company and employees contribute to the Provident Fund at 12% and 8% respectively.

(ii) Employees' trust fund

The company contributes to the employees' Trust Fund at 3%.

4.6 Provisions

Provisions are recognised 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. The expense relating to any provision is presented in the income statement net of any reimbursement.

4.7 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the statement of comprehensive income.

4.7.3 VAT on financial services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

The base for the computation of Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation, computed on prescribed rates and emoluments of employees based on "Value addition attributable method".

4.7.6 Withholding tax (WHT) on Dividends

Withholding tax on dividends distributed by the

Company that arise from the distribution of dividends of the company is recognised at the time of liability to pay the related dividend is recognized. At present, the rate of 14 % (Up to 31 March 2018-10%) is deducted at source.

4.7.8 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

4.8 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The contingencies and capital commitments for which the Company liable severally or otherwise is also included with appropriate disclosures.

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

4.9 Recognition of income and expenses

4.9.1 Interest income and interest expense

Interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

4.9.1 Interest income and interest expense (Contd.)

The EIR (and therefore, the amortised cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other

characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortised through interest income/ interest expense in the income statement.

4.9.2 Interest income on overdue rentals

Interest from overdue rentals has been accounted for on cash received basis.

4.9.3 Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

4.9.4 Other operating income

4.9.4 (a) Dividend income

Dividend income is recognised in the statement of income on an accrual basis when the Company's right to receive the dividend is established.

4.9.4 (b) Recovery of bad debts written off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

4.9.4 (c) Other income

Other income is recognised on an accrual basis.

4.10 Personnel expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed

as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

4.11 Earnings Per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

The Company's diluted earnings per ordinary share is equal to the basic earnings per ordinary share since the Company does not have any convertible securities as at the reporting date.

4.12 Cash flow statement

During the year company has changed their presentation of statement of cash flow from Direct method to Indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), and comparative information also adjusted to conform to the current year's presentation.

Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

4.13 Segment reporting

The Company does not have any operating segments to disclose separately and its operating results are regularly reviewed by the entity's management as a single entity. Therefore no segment reporting information was provided in these financial statements.

5. Sri Lanka Accounting Standards Not Yet Effective as at 31 March 2021

The following Sri Lanka Accounting Standards and interpretations have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31st March 2021. The Company intends to adopt these new and amended standards,

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if applicable, when they become effective.

- SLFRS 17 Insurance Contracts
- Amendments to LKAS 1 and LKAS 8: Definition of Material
- Amendments to SLFRS 3: Definition of a Business
- Amendments to references to the conceptual framework in SLFRS standards

None of the above standard and interpretations are not expected to have a significant impact on the Company's Financial Statements.

	Year ended 31 March 2021	2020/21 Rs.	2019/20 Rs.
5.	Interest income		
	Loans and advances given to customers	693,064,075	1,430,075,177
	Government securities and deposits	27,856,277	100,662,706
		720,920,352	1,530,737,883
6.	Interest expense		
	Customer deposits	117,050,581	192,549,328
	Banks and other short term borrowings	649,246,456	823,111,489
		766,297,037	1,015,660,817
7.	Fee and commission income		
	Documentation fees and other charges on loans	15,713,192	111,983,946
		15,713,192	111,983,946
8.	Other income		
	Dividends	422,944	1,104,564
	Default interest income	40,166,409	54,768,046
	Income on other services	1,179,243	13,903,383
	Exchange gains	-	9,921,105
	Interest income from Government debt relief	6,221,566	24,391,144
	Bad debt recoveries	90,235,348	64,232,902
	Asset disposal income	4,512,056	274,884
		142,737,565	168,596,028
9.	Net loss from financial assets at fair value through profit or loss		
	Fair value loss/(gain) on quoted shares	33,560,040	(1,758,056)
		33,560,040	(1,758,056)
10.	Personnel cost		
	Directors' emoluments	6,550,000	13,760,000
	Salaries	136,016,343	181,189,413
	Employees' Provident Fund	16,325,678	22,369,130
	Employees' Trust Fund	4,077,806	5,592,283
	Bonus	-	5,290,000
	Employee retirement benefit expenses	8,664,503	5,591,943
		171,634,330	233,792,769

NOTES TO THE FINANCIAL STATEMENTS

		2020/21 Rs.	2019/20 Rs.
11.	Profit before income tax		
	Profit before income tax is stated after charging all expenses including the following:		
	Directors' emoluments	6,550,000	13,760,000
	Legal expenses	870,612	8,182,475
	Depreciation	50,545,565	51,645,480
	Amortization of intangible assets	5,687,425	5,634,850
	Depreciation of Right of Use assets	39,602,334	35,454,148
	Auditor's remuneration - audit	1,397,250	1,397,250
	- non audit	182,250	182,250
	Salaries	136,016,343	181,189,413
	Employees' Provident Fund contributions	16,325,678	22,369,130
	Employees' Trust Fund contributions	4,077,806	5,592,283
	Interest cost on retirement benefit obligation	3,451,782	2,603,014
12.	Taxation		
12.1	Income tax expense		
	Current taxes on income for the reporting period (Note 12.2)	-	11,082,618
	Deferred tax (Note 12.3)	-	11,287,921
		-	22,370,539
12.2	Reconciliation of the total tax charge		
	A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:		
	Accounting profit/(loss) as per income tax computation	(350,550,120)	(497,757,112)
	Tax at the applicable tax rate of 28%	-	-
	Tax effect on allowable credits	-	-
	Tax effect on non- deductible expenses	-	-
	Tax effect of loss claimed	-	-
	Under/(over) provisions of current taxes in respect of previous years	11,082,618	11,082,618
	Income tax expense recognized in profit or loss	11,082,618	11,082,618
	Effective tax rate	NIL	NIL

		2020/21 Rs.	2019/20 Rs.
12.3	Deferred tax liability /(assets)		
	Balance at the beginning of the year	-	(11,287,921)
	Originated during the year - income statement	-	11,287,921
	Originated during the year - other comprehensive income	-	-
	Balance at the end of the year	-	-
	Deferred tax arising from		
	Accelerated depreciation for tax purpose	607,739	607,739
	Retirement benefit obligations	(1,844,983)	(1,844,983)
	Revaluation of land and investment property	16,217,320	16,217,320
	Tax losses	(3,983,680)	(3,983,680)
	Others	(10,996,396)	(10,996,396)
	Recognized deferred tax liability	-	-
	Tax rate used	28%	28%
13.	Earning per share		
	The calculation of basic earnings per share is based on the profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.		
		2020/2021	2019/2020
		Rs.	Rs.
	Profit attributable to equity holders	(350,550,120)	(520,127,651)
	Weighted average number of shares used as denominator	107,733,344	107,733,344
	Basic earnings/ (loss) per share (Rs.)	(3.25)	(4.83)

NOTES TO THE FINANCIAL STATEMENTS

		31.03.2021 Rs.	31.03.2020 Rs.
14.	Cash in hand & at bank		
	Commercial Bank	17,665,991	8,259,552
	Sampath Bank	24,184,608	17,047,205
	Seylan Bank	3,945,725	6,839,241
	People's Bank	31,118,329	784,609
	Bank of Ceylon	2,359,309	2,478,463
	National Development Bank	18,165,364	132,678
	Indian Bank	55,594	6,035,174
	Union Bank	83,488	83,488
	Cargills Bank	260,064	16,495,607
	DFCC Bank	786,371	314,131
	Indian Overseas Bank	10,061	2,065,494
	Pan Asia Bank	2,017,707	102,471
	HNB - Trust	8,891,256	1,368,829
	Cash in hand	165,932,503	111,259,963
		275,476,370	173,266,904
15.	Placements with banks and other financial institutions		
	Placements with finance companies	-	-
	Placements with banks	130,606,386	396,342,906
		130,606,386	396,342,906
16.	Financial instruments - fair value through profit or loss		
	Investments in quoted shares (Note 16.1)	106,108,258	145,493,181
		106,108,258	145,493,181

	Year ended 31 March 2021	31.03.2021		31.03.2020	
			Market value*		Market value
		No of shares	Rs.	No of shares	Rs.
16.1	Investment in quoted shares				
	ADAM Capital PLC	3,997,740	1,199,322	3,997,740	1,199,322
	Blue Diamonds Jewellery	3,454,566	3,074,287	3,454,566	2,418,196
	Browns Beach Hotels PLC	43,351	442,180	43,351	563,563
	Bogala Graphite Lanka PLC	79,092	1,882,390	79,092	1,265,472
	Ceylon Hotels Corporation PLC	98,251	1,041,461	98,251	1,159,362
	CM Holdings PLC	77,000	6,391,000	77,000	6,083,000
	Commercial Bank Of Ceylon	84,922	7,260,831	82,981	7,883,195

	CIC Holdings PLC	65,455		65,455	3,927,300
	John Keells PLC	1,455	101,850	1,455	71,295
	Lanka Ceramic PLC	28,838	3,172,180	28,838	3,996,947
	Orient Garments PLC	12,888	-	12,888	-
	Sinhaputhra Finance PLC	12,546,190	78,935,157	12,546,190	114,170,329
	The Kandy Hotels Company PLC	492,000	2,607,600	492,000	2,755,200
			106,108,258	20,979,807	145,493,181

		31.03.2021 Rs.	31.03.2020 Rs.
17.	Financial instruments at amortized cost		
	Government debt securities - treasury bills & bonds	132,688,576	324,854,971
		132,688,576	324,854,971
18.	Financial instruments - Fair Value Through Other Comprehensive Income		
		31.03.2021	31.03.2020
	Unquoted shares - Credit Information Bureau of Sri Lanka		
	No. of shares	100	100
	Cost of investment	193,900	193,900

Note: These unquoted equity investments are recorded at cost, since the fair value of the investments cannot be reliably estimated. There is no market for these investments and company intends to hold these in the long term.

		31.03.2021 Rs.	31.03.2020 Rs.
19.	Loans and advances		
	Gross loans and receivables (Note 19.1)	4,134,022,793	6,190,411,177
	Allowance for impairment losses (Note 19.2)	(1,179,688,197)	(1,141,433,549)
	Net loans and receivables	2,954,334,596	5,048,977,628
19.1	Product wise loans and receivables		
	Loans	3,702,833,410	4,344,571,209
	Gold loans	431,189,383	1,133,196,482
		4,134,022,793	5,477,767,691
	Maturity analysis of lease receivables are presented in Note 35.		
19.2	Allowance for impairment losses		
	Movement in impairment allowance for loans and advances		
	Balance as at the beginning of the period	1,141,433,549	675,018,615
	Impact of adopting SLFRS 09	-	-
	Net impairment charge for the current period	38,254,648	466,414,934
	Written off during the period	-	-
	Balance as at the end of the period	1,179,688,197	1,141,433,549

NOTES TO THE FINANCIAL STATEMENTS

19.3	Analysis of loans and advances and lease receivables on maximum exposure to credit risk as at 31 March 2021
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		Stage 01	Stage 02	Stage 03	Total
		Rs.	Rs.	Rs.	Rs.
	Loans and advances				
	Lease receivables				
	Total of loans and advances and lease receivables				
	Less: Allowance for expected credit losses				

		31.03.2021	31.03.2020
20.	Current tax liability/ (receivable)		
	Balance at the beginning of the year	(132,914,186)	(120,040,935)
	Provision made during the year	-	-
	Tax paid during the year	-	-
	Economic Service Charge	-	(9,969,593)
	Withholding taxes	-	(2,903,659)
	ESC Write off	22,284,361	-
		(110,629,825)	(132,914,186)
21.	Other receivables		
	Deposits and prepayments	38,960,721	52,740,496
	VAT receivable	5,329,200	5,329,200
	Sundry debtors	-	280,458
	Other receivable	55,080,815	58,309,666
	Deferred expense	-	-
	Government debt relief receivable	26,860,348	102,257,850
		126,231,084	218,917,669
22.	Investment properties		
	Balance at the beginning of the year	1,146,881,174	538,785,000
	Additions	467,999,000	607,693,600
	Fair value adjustment	180,912,426	-
	Stamp duty write off	(26,396,174)	-
	Balance at the end of the year	1,769,396,426	1,146,881,174

		31.03.2021	31.03.2020
22.1	Fair value of investment properties		
	Location	Rs.	Rs.
	Ullai Kadu-60th Mile Post, Kiravalkuli Urani in Panama Pathu	36,000,000	27,000,000
	Total Extent 09A-00R-00P (3.6420 Hectares) Lot No. 01		
	Kayankerny Village in Irral Odai	33,300,000	31,635,000
	Total Extent 04A-00R-26P (1.6845 Hectares) Lot No. 01 & 02		
	Panama Pathu in Urani (60th Mile Post)	19,800,000	14,850,000
	Total Extent 04A-03R-32P (2.004 Hectares) Lot No. 01, 02 & 03		
	No 39/8, Edirisinghe Road, Palenwatta	250,000,000	218,000,000
	Total Extent 01A-00R-00P		
	No.584, Hospital Road, Jaffna - Land and Building	381,000,000	247,702,574
	Total extent 00A-1R-24.11P (0.3228 Hectares) Lot No. 01		
	No.200, Averiwatta Rd, Wattala - Hedawakagahawatta Alias Paranahena	67,599,000	67,599,000
	Total extent 0A-1R-10.55P (Lot A1)		
	Island in the Negombo Lagoon - Lot A	519,000,000	540,094,600
	Island in the Negombo Lagoon	462,697,426	-
	Lot C		
		1,769,396,426	1,146,881,174

22.2 "Mr. K. J. D. Tissara, (Chartered Valuation Surveyor) and S. Jeganathan (Incorporated valuer) valued these properties. The valuers are independent government registered valuers, not related to the company. They have appropriate qualifications and recent experience in the valuation of properties.

22.3 **Description of valuation techniques used and key inputs to valuation on investment properties**

	Property	Method of valuation	Significant unobservable input	Range
	Ullai Kadu-60th Mile Post, Kiravalkuli Urani in Panama Pathu	Market based method	Price per Acre	Rs.25,000
	Kayankerny Village in Irral Odai	Market based method	Price per Acre	Rs.50,000
	Panama Pathu in Urani (60th Mile Post)	Market based method	Price per Acre	Lot 1 & 2-Rs.20,000 Lot 3 Rs.46,000
	No 39/8, Edirisinghe Road, Palenwatta	Market based method/Cost based method	"Store/Work Shop - Price per square feet Land - Price per Perch "	"Land-Rs.1,250,000 per perch Store-Rs.2,000 per Sq. Ft Workshop and Stores -Rs.2,500 per Sq. Ft Workshop - Rs.3,500 per Sq. Ft"

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	No.584, Hospital Road, Jaffna - Land and Building	Market based method	"Land - Price per perch Building Ground/ Upper Floor - Price per square feet"	Land - Rs.5,600,000 per perch Ground floor -Rs.3000 per square feet 1st Floor Rs.2,750 per square feet
	No.200, Averiawatta Rd, Wattala - Hedawakagahawatta Alias Paranaahena	Market based method	"Buildable Land - Price per perch Strip of land - Price per perch"	"Buildable Land - Rs.1,750,000 per perch Strip of land - Rs.875,000 per perch"
	Island in the Negombo Lagoon - Lot A	Income based valuation	"Discount rate Cost of finance Percentage of professional fee Percentage of development profit"	"Discount rate - 6% per annum Cost of finance - 13.41% per annum Percentage of professional fee-9% GDV Percentage of development profit - 35% GDV"
	Island in the Negombo Lagoon - Lot C	Market based valuation	Price Per perch	Rs.215,000 per perch

22.4	Sensitivity information of Significant unobservable inputs		
	The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the company's investment properties are:		
	Price per Acre/ perch		
	Price per square feet		
	Discount rate		
	Cost of finance		
	Percentage of professional fee		
	Percentage of development profit		
	"Significant increases (decreases) in estimated price per Acre/perch and price per square feet would result in higher (lower) fair value measurement. Significant increases (decreases) in discount rate, cost of finance, percentage of professional fees and percentage of development profit would result in a lower (higher) fair value measurement.		

		31.03.2021 Rs.	31.03.2020 Rs.
23.	Property and equipment (Note 23.1)		
	Freehold		
	Land	84,000,000	63,612,000
	Buildings	6,068,417	5,749,200
	Furniture and fittings	26,938,987	37,467,379
	Motor vehicles	90,057,669	81,594,029
	Office equipment	53,552,670	70,875,235
	Computer and accessories	27,656,774	35,133,931
		288,274,518	294,431,774

23.1 Freehold assets

	Land Rs.	Building Rs.	Furniture and fit- tings Rs.	Motor ve- hicle Rs.	Office equip- ment Rs.	Comput- ers and accesso- ries Rs.	Total Rs.
Cost							
Balance as at 01 April 2019	63,612,000	6,388,000	71,972,408	71,050,560	88,816,318	76,679,781	378,519,067
Additions	-	-	5,668,297	1,005,500	13,955,664	2,639,800	23,269,261
Disposals	-	-	(185,311)	(6,611,611)	(58,131)	-	(6,855,053)
Transfers from leasehold	-	-	-	72,255,000	23,340,254	-	95,595,254
Balance as at 31 March 2020	63,612,000	6,388,000	77,455,394	137,699,449	126,054,105	79,319,581	490,528,529
Additions	-	-	-	-	626,041	1,078,940	1,704,981
Disposals	-	-	(1,179,960)	(11,150,000)	(164,856)	(64,500)	(12,559,316)
Revaluation surplus	20,388,000	612,000	-	(22,828,298)	-	-	(1,828,298)
Transfers from leasehold	-	-	-	-	-	-	-
Balance as at 31 March 2021	84,000,000	7,000,000	76,275,433	103,721,150	126,515,290	80,334,021	477,845,896
Accumulated depreciation							
Balance as at 01 April 2019	-	319,400	30,167,430	21,228,572	28,350,351	35,578,238	115,643,992
Charge for the year	-	319,400	9,968,647	15,946,522	16,803,499	8,607,412	50,252,782
	-	-	(148,062)	(2,995,216)	(33,979)	-	(3,177,257)
	-	-	-	21,925,542	10,058,999	-	31,984,541
Balance as at 31 March 2020	-	638,800	39,988,015	56,105,420	55,178,870	44,185,650	196,096,756
Charge for the year	-	292,783	10,104,408	13,730,279	17,903,082	8,515,013	50,545,565
Disposals	-	-	(755,977)	(5,173,135)	(119,332)	(23,416)	(6,071,860)
Revaluation	-	-	-	(50,999,081)	-	-	(50,999,081)
Transfers from leasehold	-	-	-	-	-	-	-
Balance as at 31 March 2021	-	931,583	49,336,446	13,663,481	72,962,620	52,677,247	189,571,377
Net book value							
As at 31 March 2020	63,612,000	5,749,200	37,467,380	81,594,029	70,875,234	35,133,931	294,431,774
As at 31 March 2021	84,000,000	6,068,417	26,938,987	90,057,669	53,552,670	27,656,774	288,274,518

Cost of fully depreciated assets of the Company which are still in use as at 31 March 2020 is Rs. 41.06 Mn (2018/19 -Rs. 14.52 Mn)

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23.2 Title restriction on property and equipment

There were no restriction on the title of property and equipment as at 31 March 2021

23.3 Property and equipment pledged as security for liabilities

Land and building included in property and equipment amounting to Rs 70 Mn and land included in investment properties amounting to 466 Mn (Note 23.1) has been pledged as a security to the Indian Bank and Hatton National Bank for the term loan facilities.

23.4 Mr. K. J. D. Tissara, (Chartered Valuation Surveyor) valued the freehold land and buildings in March 2018. The valuer is an independent government registered valuers, not related to the company. The valuer has appropriate qualifications and recent experience in the valuation of properties. The revalued land and buildings is located at No. 15, Nugegoda Road, Pepiliyana with the total extent of 15.92 Perches.

23.5	The carrying value of Company's revalued freehold land, if it was carried at cost would be as follows		
		2020/21 Rs	2019/20 Rs
	Freehold Land (Cost and Carrying Value)	37,750,000	37,750,000

24.	Right of use assets	
	Set out below are the carrying amount of Right of use assets recognised and the movements during the year.	
	Cost	
	Recognition of right-of-use assets on initial application of SLFRS 16	103,265,537
	Restated balance as at 01 April 2019	103,265,537
	Additions	41,641,383
	Balance as at 31 March 2020	144,906,920
	Additions/ renewal of leases during the year	-
	Balance as at 31 March 2021	144,906,920
	Accumulated depreciation	
	Balance as at 21 March 2020	35,454,148
	Charge for the year	39,602,334
	Balance as at 21 March 2021	75,056,482
	Net book value as at 31 March 2020	109,452,772
	Net book value as at 31 March 2021	69,850,439
24.1	Lease liability	
	Recognition of lease liability on 1 April 2019*	89,372,787
	Additions	32,943,883
	Accretion of interest	14,463,686
	Payments	(33,338,396)
	Balance as at 31 March 2020	103,441,960

	Additions	-
	Accretion of interest	29,769,882
	Payments	(43,484,653)
	Balance as at 31 March 2021	89,727,189
24.1.1	Maturity analysis of lease liability (Undiscounted)	
	Less than 01 year	
	1 to 5 years	
	More than 5 years	
	Total lease liabilities as at 31 March 2021	
24.1.2	During the year company has used incremental borrowing rate between 12.74% - 15.70% when measuring lease liabilities.	
24.1.3	Sensitivity of Right of Use assets/ lease liability to key assumptions	
	Sensitivity to discount rates	
	1% (decreased)/ increased in discount rate as at 31-03-2021 would have (decreased)/increased the lease liability by approximately Rs.5,092,085 and right of use asset (decreased)/ increased by Rs. 2,031,227 respectively. Had the company (decreased)/ increased the discount rate by 1%, the company's profit before tax for the year would have (decreased)/ increased by Rs. 3,060,858.	
24.1.4	Short term lease exemptions	6,457,471
25.	Intangible assets	
	Cost	
	Balance as at 1 April 2019	48,178,991
	Additions	92,000
	Balance as at 01 April 2020	48,270,991
	Additions	573,000
	Balance as at 31 March 2021	48,843,991
	Accumulated amortization	
	Balance as at 1 April 2019	19,732,284
	Charge for the year	5,634,850
	Balance as at 01 April 2020	25,367,134
	Charge for the year	5,687,424
	Balance as at 31 March 2021	31,054,558
	Carrying value at the beginning of the year	22,903,857
	Carrying value at the end of the year	17,789,433

During the financial year, the Company acquired intangible assets (Computer Software) to the aggregate value of Rs 0 (2019/20 - Rs.0.92 million).Cost of fully amortised intangible assets of the Company as at 31 March 2021 is Rs.9.8 Million (2019/20 - Rs. 8.5 Mn). Average remaining useful life of the Intangible asset is estimated as 4 years.

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	Year ended 31 March 2021	31.03.2021	31.03.2020
		Rs	Rs
26.	Borrowings		
	Overdrafts	388,937,059	389,728,139
	Loans - (Note 26.1)	3,725,711,411	5,048,039,078
	Commercial paper	-	22,214,768
		4,114,648,470	5,459,981,985
26.1	Loans		
	Indian Bank	153,117,857	236,298,060
	Bank of Ceylon	353,333,304	356,666,608
	Sampath Bank	760,120,432	761,444,445
	People's Bank	433,265,530	483,500,000
	Securitization	256,352,613	1,263,931,784
	HDFC Bank	284,733,367	290,306,634
	National Development Bank	535,740,750	500,000,000
	National Savings Bank	151,756,357	146,666,667
	Blue Orchard (USD)		-
	Central Finance	39,049,565	37,146,816
	Cargills Bank	122,195,288	139,078,120
	Pan Asia Bank	73,663,000	110,000,000
	DFCC	33,705,673	49,999,990
	First Capital	-	36,383,674
	Seylan Bank	157,950,000	174,650,000
	Indian Overseas Bank	97,163,091	166,666,667
	Orient Finance	-	-
	Hatton National Bank	152,530,952	153,603,100
	Interest payable	121,033,638	141,696,513
		3,725,711,411	5,048,039,078

		31.03.2020	Granting/Ac- cruals*	Repayments	31.03.2021
	Long term borrowings	5,048,039,078	526,840,498	(1,849,168,165)	3,725,711,411
		5,048,039,078	526,840,498	(1,849,168,165)	3,725,711,411
* Includes accrual adjustments of Rs. 20,662,875.					

26.3	Securities pledged			
	Lender	Facility amount	Outstand- ing capital balance as at 31.03.2020	Security details
	Indian Bank	400,000,000	153,117,857	Primary Mortgage Bond No.963 for LKR 250 mn dated 06.10.2015 over property situated at No.30, Indigahadeniya, Pelenwatte/ Corporate Guarantee of Daya Group (Pvt) Ltd/ Micro Finance Loan Receivables/ Term Loan agreement/ Board Resolution by the company/ Board Resolution of Daya Group (Pvt) Limited
	People's Bank	900,000,000	433,265,530	Loan Receivables/Corporate Guarantee of Daya Group (Pvt) Ltd/Mortgage over loan receivables with 130% cover
	Indian Overseas Bank	250,000,000	97,163,091	Prime Security -Receivables Rs.379.59 million/ Mortgage of land No.77/5, Halmulla Road, Kotuville
	Bank of Ceylon	750,000,000	353,333,304	Corporate guarantee from Daya Group (Pvt) Limited and guarantee from company director.
	Sampath Bank	1,383,600,000	760,120,432	Corporate guarantee from Daya Group (Pvt) Limited and Mortgage loan receivables on loan outstanding
	HDFC Bank	350,000,000	284,733,367	Loan Agreement/ Assignment of performing loan portfolio of performing micro finance portfolio/Mortgage Bond over active loan portfolio of Rs.525Mn/Corporate Guarantee of Daya Group (Pvt) Ltd
	Central Finance PLC	100,000,000	39,049,565	Micro loan Receivable/ Promissory Note/Personal Guarantee and Indemnity of company director.
	NDB Bank	500,000,000	535,740,750	Primary Mortgage Bond over book debts of the company for SL Rs.500,000,000/-/ Corporate Guarantee from Daya Group(Private) Limited
	National Savings Bank	300,000,000	151,756,357	Corporate guarantee from Daya Group (Pvt) Limited
	Seylan Bank	300,000,000	157,950,000	Loan receivables Portfolio and Personal Guarantee of the Director
26.3	Securities pledged (Contd)			
	Cargills Bank	300,000,000	122,195,288	Existing primary mortgage for Rs.100 Million over loan receivables/Primary mortgage for Rs.200 Million over loan receivables to be executed (1.5* allocation on capital)
	Pan Asia Bank	125,000,000	73,663,000	Mortgage over receivables to the value of 110% of the facility
	DFCC	100,000,000	33,705,673	Corporate guarantee from Daya Group (Pvt) Limited

NOTES TO THE FINANCIAL STATEMENTS

		31.03.2021	31.03.2020
		Rs.	Rs.
27.	Dues to customers		
	Customers deposits	1,249,629,988	1,607,607,079
27.1	Product wise analysis of due to other customers		
	Savings	547,252,134	683,805,799
	Time deposits	702,377,854	923,801,280
		1,249,629,988	1,607,607,079
28.	Other payables		
	Employees' Provident Fund	2,010,747	2,652,801
	Employees' Trust Fund	298,296	397,847
	Statutory audit fees	1,427,625	1,397,250
	Standing orders to other banks	292,856	478,284
	Member protection	19,632,408	18,672,484
	Withholding taxes	(61,493)	291,791
	PAYE tax payable	3,300	5,048
	Stamp duty payables	75,138	79,963
	Sundry creditors	3,737,358	12,956,627
	Excess collection	349,862	258,630
	Building rent payable	425,735	452,888
	Other payable	45,204,605	31,377,402
		73,396,438	69,021,015
29.	Retirement benefit obligation		
	Balance at the beginning of the year	31,379,834	24,790,610
	Charge for the year	5,212,721	5,591,943
	Interest expense for the year	3,451,782	2,603,014
	Payment made during the year	(6,686,325)	(5,121,025)
	Actuarial (gain)/ loss arising from changes in the assumptions	365,800	3,515,292
	Balance at the end of the year	33,723,813	31,379,834
	Principal assumptions made in ascertaining the retirement benefit obligations as at the reporting date are as follows:		

		2020/2021	2019/2020
	Discount rate	11%	11%
	Future salary increase	NIL	NIL
	Staff turnover rate	32%	34%
	Retirement age	55 Years	55 Years
	Sensitivity analysis		
	The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.		

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

Factor	% of change	Present value of defined benefit obligations Rs.
Discount rate	+1%	33,028,904
	-1%	34,662,619
Salary increment rate	+1%	34,068,563
	-1%	33,586,634

		31.03.2021 Rs.	31.03.2020 Rs.
30.	Stated capital		
	Voting ordinary shares		
	As at the beginning of the year	616,100,061	616,100,061
	As at the end of the year	616,100,061	616,100,061
	Number of shares		
	Voting ordinary shares	107,733,344	107,733,344
31.	Statutory reserve		
	As at the beginning of the year	71,842,325	71,842,325
	Transferred during the year	-	-
	As at the end of the year	71,842,325	71,842,325

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Since the company is facing losses no amounts were transferred to this reserve in current and previous years.

NOTES TO THE FINANCIAL STATEMENTS

32. Capital commitments and contingent liabilities

Capital commitments

There were no material capital commitments as at the date of statement of financial position.

Contingent liabilities

There is no any contingent liabilities as of the year end other than below mentioned pending tax assessments issued by Inland Revenue Department against the company.

33. Related party disclosures

The Company carries out transactions in the ordinary course of its business at arm's length basis with parties who are defined as related parties in the Sri Lanka Accounting Standard LKAS 24: "Related Party Disclosures". The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

33.1 Transactions with Key Management Personnel (KMP) and close family members of KMP

Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considered the members of its board and corporate management as KMP since they have the authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Directors of the Company (including executive and non-executive Directors), have been classified as KMP of the Company as at 31 March 2021.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealing with the company and include:

- (a) person's children and spouse or domestic partner
- (b) children's of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner

The compensation payments made to KMP's are given below:

33.1 Transactions with Key Management Personnel (KMP) and close family members of KMP (Contd.)			
Compensation payments made to KMP's are given below:			
		2020/21 Rs.	2019/20 Rs.
	Short term employee benefits	6,550,000	13,760,000
		6,550,000	13,760,000
	Deposits held by KMP with the company		
	Fixed deposits	1,125,940	1,125,940
	Savings deposits	1,041,834	1,041,834
		2,167,774	48,311,714
Close family members of KMP held fixed deposits with the company as at year end amounting to Rs. 612,058 /- (2019/20 - Rs. 1,237,580)			

33.2 Transactions with Shareholders/Directors of Affiliated entities

As at 31 March 2021 shareholders/ Directors of Affiliated companies held fixed deposits and savings amounting to Rs. 2,999,799/-. (2019/20 - Rs. 1,484,347)

33.2 Transactions with Shareholders/Directors of Affiliated entities

The name of the Related Party	The relationship between the Entity and the Related Party	Value of the Related Party Transactions entered into during the financial year Rs.	Aggregate value of Related Party transactions entered during the year	Aggregate value of Related Party transactions as a % of net revenue Rs.	Outstanding receivable balance as at 31 March 2021 Rs.	Terms and conditions of the Related Party transactions	Nature of the Related Party transactions
Building Solutions (pvt) Ltd	Affiliated Company	-	-	0.00%	-		
Olympus Construction (Pvt) Ltd	Affiliated Company	-	-	0.00%	-		

Note- The above facilitates are secured by corporate guarantees of Daya Group (Pvt) Ltd

33.4 The Company has entered into above transactions at interest rates comparable to the average commercial rate of interest. The loan receivable balance from above related parties included under Note 19 in these financial statements. Further salaries of all staff members of affiliated companies are paid through savings accounts they maintained with the Company.

33.5 As at 31 March 2021 related entities held fixed deposits and saving accounts with the Company amounting to Rs 4,364,097 (31 March 2020 Rs. 3,180,426.)

33.6 As at 31 March 2021 Company received corporate guarantees from the related entities for the loans obtained by the Company from banks and financial institutions and details of such guarantees are presented in Note 26.3.

33.7 During the year, the Company had acquired investment property amounting to Rs. 450 Mn from Olympus Construction (Pvt) Ltd. to recover the outstanding loan receivables amounting to Rs. 162.56 Mn, and Rs. 16.52 Mn from Olympus Construction (Pvt) Ltd and Building Solutions (Pvt) Ltd. The remaining balance of by Rs. 270.9 Mn was paid to Olympus Construction (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

34. Risk management

Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

Risk management structure

The Board of Directors is responsible for the overall Risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which 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.

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers/other companies, Lease receivables and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorised into three types; default, concentration and settlement risk.

Default risk as the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

34.1.1 Analysis of credit risk exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, real estate and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

34.1.2 Credit quality by class of financial assets

The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

	As at 31.03.2021	"Neither past due nor impaired Rs."	"Past due and impaired Rs."	Total Rs.
	Assets			
	Cash in hand and at bank	275,476,370	-	275,476,370
	Placements with bank and other financial institutions	130,606,386	-	130,606,386
	Financial investments - fair value through profit or loss	106,108,258	-	106,108,258
	Debt instruments at amortised cost	132,688,576	-	132,688,576
	Equity instruments at fair value through other comprehensive income	193,900	-	193,900
	Loans and advances	-	-	4,134,022,793
	Lease receivables	-	-	-
		645,073,490	-	4,779,096,282

Definition of past due and impaired

The Company considers that any amounts uncollected within one day or more beyond the agreed due date as 'past due'. Loans and advances and lease receivables remain past due for more than 90 days are considered as impaired.

34.1.3 Impairment Assessment

The methodology of the impairment assessment has been explained in Note 3.2.8 under Accounting policies. The references below should be read in conjunction with those Accounting policies..

(a) Definition of default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrowing becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Company
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

(b) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when a customer dues are for more than 30 days.

NOTES TO THE FINANCIAL STATEMENTS

34.1.3 (c) Analysis of the total allowance for expected credit losses is as follows.

	Stage 01	Stage 02	Stage 03	Total
Balance as at 01st April 2020	179,473,010	125,339,765	836,620,773	1,141,433,549
Movement in ECL	-	-	-	-
Balance as at 31st March 2021				1,179,688,197

34.1.3 (d) Movement of the total allowance for expected credit losses during the period

	2020/2021 Rs	2019/2020 Rs
Balance as at 01st April	1,141,433,548	675,018,615
Net charge to profit or loss	38,254,648	466,414,934
Total charge	1,179,688,196	1,141,433,548
Write-off during the year	-	-
Balance as at 31st March	1,179,688,196	1,141,433,548

34.1.3 (e) Overview of rescheduled loans and advances and lease receivables

As at 31 March 2021	Gross Carrying Value Stage 03 Rs.	Allowance for ECL Stage 03 Rs.	Net Carrying Value Rs.
Loans and advances			
Lease receivables			

34.1.4 Maximum Exposure to Credit Risk

	2020/2021	
	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
Financial Assets		
Cash in hand and at bank	275,476,370	275,476,370
Placements with bank and other financial institutions	130,606,386	130,606,386
Financial instruments - fair value through profit or loss	106,108,258	106,108,258
Debt instruments at amortised cost	132,688,576	-
Equity instruments at fair value through OCI	193,900	193,900
Loans and advances*	2,954,334,596	-
Other receivables	126,231,084	-
Total Financial Assets	3,725,639,169	512,384,914

34.1.5 Analysis of Risk Concentration

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

As at 31 March 2021	Agricul- ture	Con- struction	Manu- facturing	Trade	Service	Tourism	Micro enter- prises	Govern- ment	Gold loans	Financial institutions	Others	Total
Cash in hand and at bank										275,476,370		275,476,370
Placements with bank and other financial institutions										130,606,386		130,606,386
Financial instruments - fair value through profit or loss										106,108,258		106,108,258
Debt instruments at amor- tised cost												-
Equity instruments at fair value through OCI											193,900	193,900
Loans and advances and Lease receivables												-
Other receivables												-

NOTES TO THE FINANCIAL STATEMENTS

34.2 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Company regularly analyses and monitors liquidity positions and, maintain an adequate margin of safety in liquid assets.

Further the Company is maintaining assets in the form of Sri Lankan government treasury bills and government securities equivalent to 7.5% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year.

Analysis of Financial Assets And Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the financial liabilities as at 31 March 2021.

	On demand	Less than 03 months	03 - 12 months	01 - 05 years	Over 05 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial liabilities						
Due to customers						
Borrowings						
Other financial liabilities						
Total financial liabilities	-	-	-	-	-	-

34.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

34.3.1 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's exposure to the risk of changes in market interest rates relate primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's Statement of comprehensive income for the year ended 31st March 2021 to a reasonable possible change in interest rates, with all other variable constant.

Impact on statement of profit or loss due to interest rate variations

	31.03.2021	31.03.2020
+0.5%	-	(14,893,065)
-0.5%	-	14,893,065

35.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Company does not have any major foreign currency borrowings or investments which will impact adversely.

35.3.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. Assets and liability committee reviews and approves all equity investment decisions.

The following table demonstrates the sensitivity of the Company's Statement of comprehensive income for the year ended 31 March 2021 to a reasonable possible change in equity prices, with all other variable constant.

Impact on statement of profit or loss due to equity price changes in the market	31.03.2021	31.03.2020
Increase in equity price by 10%	10,610,826	14,549,318
Decrease in equity price by 10%	(10,610,826)	(14,549,318)

34.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

34.5 Capital adequacy risk

For a financial institution, capital is a buffer against insolvency. It is available to absorb unforeseen losses so the Company can remain in business. The more capital the Company has relative to the risks it takes, the more confidence the stakeholders are that it will meet its obligations to them. Capital adequacy risk arises from Company's inability to maintain the required amount of capital which is perceived to be adequate to absorb the risk.

The Company manages its capital considering regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed finance companies in Sri Lanka. Thus the Company's operations are directly supervised by the CBSL and the Company is required to comply Directions on Risk Weighted Capital Adequacy Ratio issued by CBSL. Licensed Finance Companies in Sri Lanka need to maintain a minimum Capital Adequacy Ratio (CAR) of 10.5 percent and a Core Capital Ratio (Tier 1) of at least 6.5 percent.

As of 31 March 2021, the Company has unable to maintained the Core Capital Ratio (Tier 1) and minimum Capital adequacy (CAR) ratio requirement.

NOTES TO THE FINANCIAL STATEMENTS

35. Maturity analysis

Assets	Less than 01 year	More than 01 year	Impairment of financial assets	Total 31.03.2021
Cash in hand and at bank	275,476,370	-	-	275,476,370
Placements with bank and other financial institutions	130,606,386	-	-	130,606,386
Financial instruments - fair value through profit or loss	106,108,258	-	-	106,108,258
Debt instruments at amortised cost	132,688,576	-	-	132,688,576
Equity instruments at fair value through OCI	-	193,900	-	193,900
Loans and advances	4,134,022,793	-	(1,179,688,197)	2,954,334,596
Lease receivables*	-	-	-	-
Tax receivable	-	-	-	-
Other receivables	84,335,936	-	-	84,335,936
Investment properties	-	1,769,396,426	-	1,769,396,426
Property and equipment	-	288,274,518	-	288,274,518
Right of use assets	-	69,850,439	-	69,850,439
Intangible assets	-	17,789,433	-	17,789,433
Deferred tax assets	-	-	-	-
Total assets	4,863,238,318	2,145,504,716	(1,179,688,197)	5,829,054,837
Year ended 31 March 2020				
Liabilities				
Borrowings	-	4,114,648,470	-	4,114,648,470
Due to customers	-	1,249,629,988	-	1,249,629,988
Other payables	73,396,438	-	-	73,396,438
Lease liability	33,564,291	56,162,898	-	89,727,189
Retirement benefit obligations	-	33,723,813	-	33,723,813
Total liabilities	106,960,729	5,454,165,169	-	5,561,125,896
* Lease receivables consist of Rs.158 Mn which will mature after period of 5 years.				
Analysis of financial instruments by measurement basis				

35.1 Analysis of financial instruments by measurement basis - as at 31.03.2021

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 provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

	FVTPL	Amortized Cost	Fair Value Through OCI	Total
Financial assets				
Cash in hand and at bank	-	275,476,370	-	275,476,370
Placements with bank and other financial institutions	-	130,606,386	-	130,606,386
Financial investments - fair value through profit or loss	106,108,258	-	-	106,108,258
Debt instruments at amortised cost	-	132,688,576	-	132,688,576
Equity instruments at fair value through other comprehensive income	-	-	193,900	193,900
Loans and advances	-	2,954,334,596	-	2,954,334,596
Lease receivables	-	570,625,531	-	570,625,531
Other receivables	-	126,231,084	-	126,231,084
Total financial assets	106,108,258	4,189,962,542	193,900	4,296,264,700
		FL at FVTPL	Amortized cost	Total
Financial liabilities				
Borrowings		-	4,114,648,470	4,114,648,470
Due to customers		-	1,249,629,988	1,249,629,988
Other financial liabilities		-	-	-
Total financial liabilities		-	5,364,278,458	5,364,278,458
Analysis of financial instruments by measurement basis - as at 31.03.2020				
	FVTPL	Amortized Cost	Fair Value Through OCI	Total
Financial assets				
Cash in hand and at bank	-	173,266,904	-	173,266,904
Placements with bank and other financial institutions	-	396,342,906	-	396,342,906
Financial investments - fair value through profit or loss	145,493,181	-	-	145,493,181
Debt instruments at amortised cost	-	324,854,971	-	324,854,971
Equity instruments at fair value through other comprehensive income	-	-	193,900	193,900
Loans and advances	-	5,048,977,628	-	5,048,977,628
Lease receivables	-	-	-	-
Other receivables	-	218,917,669	-	218,917,669
Total financial assets	145,493,181	6,162,360,078	193,900	6,308,047,159
		FL at FVTPL	Amortized cost	Total
Financial liabilities				
Borrowings		-	5,459,981,985	5,459,981,985
Due to customers		-	1,607,607,079	1,607,607,079
Other financial liabilities		-	-	-
Total financial liabilities		-	7,067,589,064	7,067,589,064

NOTES TO THE FINANCIAL STATEMENTS

36. Fair value of financial instruments

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

36.1 Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial and non-financial assets by valuation techniques.

Level 1: category of financial assets that are measured in whole or in part by reference to published quotes in an active market.

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.

The following table shows an analysis of financial and non-financial assets recorded at fair value by level of the fair value hierarchy.

As at 31 March 2021	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets				
Financial investments - fair value through profit or loss	106,108,258	-	-	106,108,258
Financial investments - Fair value through OCI	-	-	193,900	193,900
Non financial assets				
Freehold Land	-	-	84,000,000	84,000,000
Investment property	-	-	1,769,396,426	1,769,396,426
	106,108,258	-	1,853,590,326	1,959,698,584
As at 31 March 2020				
Financial assets				
Financial investments - fair value through profit or loss	145,493,181	-	-	145,493,181
Financial investments - Fair value through OCI	-	-	193,900	193,900
Non financial assets				
Freehold Land	-	-	63,612,000	63,612,000
Investment property	-	-	1,146,881,174	1,146,881,174
	145,493,181	-	1,210,493,174	1,356,180,255

36.1 Fair value of financial instruments (Contd.)

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair value:

Assets

Cash in hand and at bank
Placements with bank and other financial institutions
Debt instruments at amortised cost
Loans and advances
Lease receivables
Other receivables

Liabilities

Borrowings
Due to customers
Other payables

38. Events after the reporting period

No circumstances have arisen since the reporting period which would require adjustments to, or disclosures in the financial statements.

INVESTOR INFORMATION

1. Stock Exchange

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange.

2. (I) Ordinary Shareholders as at 31st March 2021

(II) Categorize of Shareholders

No. of Share Held	Resident			Non - Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	717	107,902	0.10	2	410	0.00	719	108,312	0.10
1,001 - 10,000	217	814,160	0.76	2	3,500	0.01	219	817,660	0.76
10,001 - 100,000	82	2,354,924	2.19	0	0	0.00	82	2,354,924	2.19
100,001 - 1,000,000	7	2,047,660	1.90	0	0	0.00	7	2,047,660	1.79
Over 1,000,000	14	102,404,788	95.05	0	0	0.00	14	102,404,788	95.05
	1037	107,729,434	100.00	4	3,910	0.01	1,041	107,733,344	100.00

No. of Share Held	Resident			Non - Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	998	44,995,341	41.76	0	0	0	998	44,995,341	41.76
Institutional	43	62,738,003	58.23	-	-	-	43	62,738,003	58.23
	1041	107,733,344	100	0	0	0	1041	107,733,344	100.00

3. (I) Public shareholding was 11.81%

(II) Number of public shareholders was – 1030

(III) Float adjusted market capitalisation - the Float adjusted market capitalisation as at 31st March 2021 - Rs.78,951,304.00 the Company falls under the Option 2 Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option

4. Thirty largest shareholders as at 31st March 2021

	SHAREHOLDER	NO. OF SHARES	%
01	DAYA GROUP (PRIVATE) LIMITED	16,953,901	15.74
02	OLYMPUS CONSTRUCTION (PRIVATE) LIMITED	14,992,798	13.92
03	MRS. A. GAMAGE	13,093,336	12.15
04	MR. D. K. GAMAGE	13,093,336	12.15
05	DAYA APPAREL EXPORT (PVT) LTD	9,245,066	8.58
06	MISS. P.M.K.GAMAGE	8,151,200	7.57
07	COMMERCIAL BANK OF CEYLON PLC/DAYA APPAREL EXPORT (PVT) LTD	5,000,000	4.64
08	PEOPLE'S LEASING & FINANCE PLC/OLYMPUS CONSTRUCTION (PVT) LTD	4,964,266	4.61

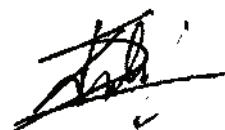
09	PEOPLE'S LEASING & FINANCE PLC/DAYA APPAREL EXPORT (PVT) LTD	4,343,866	4.03
10	MR. C.K. GAMAGE	3,697,865	3.43
11	SEYLAN BANK PLC./JANASHAKTHI PLC	3,200,000	2.97
12	MR. U.W.J.P.A.SUMATHIPALA	2,693,335	2.50
13	COMMERCIAL BANK OF CEYLON PLC/JANASHAKTHI PLC	1,511,818	1.40
14	PEOPLE'S LEASING & FINANCE PLC/DAYA GROUP (PVT) LTD	1,464,001	1.36
15	HATTON NATIONAL BANK PLC/SUKTAM HOLDINGS (PVT) LTD	742,810	0.69
16	MR. D.N.SENANAYAKE	520,000	0.48
17	MR. M.S.S.CHANDRA	256,921	0.24
18	MISS D.L.I.B.N.PERERA	154,096	0.14
19	MR. W.A.S.P DE SARAM	135,000	0.13
20	MR. J.A.D.K.R.JAYASURIYA	100,600	0.13
21	MRS. K.G. WARNAKULASURIYA	84,751	0.09
22	MR. A.N. HANDUNPATHIRANA	84,751	0.08
23	MR. M.R.W. DE ZOYSA	80,000	0.07
24	MR. H.M.D.B. HERATH	75,620	0.07
25	MR. R.E.RAMBUKWELLE	68,000	0.06
26	MR. S.S.SOORIYARACHCHI	66,513	0.06
27	MRS. G.S.M. PERERA	65,498	0.06
28	MRS. P.M.K.DEHIDENIYA	63,544	0.06
29	MR. T.R. LIYANAGE	60,130	0.06
30	MR. J.P. KARUNARATNE	59,815	0.06

Market price per share	31 march 2021
Highest	10.60
Lowest	6.00
Last traded	6.20

NOTICE OF MEETING

Notice is hereby given that the fourteenth (14th) Annual General Meeting of Bimpuh Finance PLC will be held at the Auditorium of the company, No. 362, Colombo Road, Pepiliyana, Boralesgamuwa on 20th January 2023 at 10.30 a.m. for the following purposes

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2021 and the Report of the Auditors thereon
2. To appoint Messrs BR de Silva & Company, Chartered Accountants as the Auditors of the Company for the financial year ending 31st March 2022 and to authorize the Board of Directors to determine their remuneration
3. To authorise the Board of Directors to determine donations for the ensuing year By order of the Board



(Mrs.) Kashmi Kapuwella

Company Secretary

27th December 2022

Notes :

1. Any shareholder entitled to attend and vote is entitled to appoint a proxy instead.
2. A proxy need not be a shareholder, instruments appointing proxies must be lodged at Bimpuh Finance PLC, 362, Colombo Road, Pepiliyana, Boralesgamuwa not less than 48 hours before the time fixed for the meeting.
3. Shareholders / Proxyholders attending the meeting are requested to bring their National Identity Cards.

FORM OF PROXY

I/We of

..... Being a shareholder/s of

Bimpu Finance PLC, hereby appoint Mr/Mrs/Miss.

..... (NIC No.....) of

.....whom failing.

Mr. Sudath Ajitha Samaradiwakara Jayasundara

whom failing *

Mr. Chamindra Kilittuwa Gamage

whom failing *

Mr. Upali Hettiarachchi

whom failing *

Mr. Kariyawasam Pathirage Chandrasoma Sudarshana Piyatillake

whom failing *

Mrs. Manjaree Gamage-Brooker

as my/our Proxy holder to represent me/us and to speak at the meeting and to vote on my/our behalf at the Annual General Meeting of Bimpu Finance PLC to be held on 20th January 2023 at 10.30 a.m. at the Auditorium of the company, No. 362, Colombo Road, Pepiliyana, Boralesgamuwa and at any adjournment thereof and at every poll which may be taken in consequence thereof.

(Please indicate your preference by placing an "X" in the relevant box)

- To receive, consider and adopt the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the Year ended 31st March 2021 and the Report of the Auditors thereon.
- To appoint Messrs BR de Silva & Company, Chartered Accountants as the Auditors of the Company for the financial year ending 31st March 2022 and to authorize the Board of Directors to determine their remuneration.
- To authorize the Board of Directors to determine donations for the ensuing year.



Signed on this day of Two Thousand and Twenty Two.

.....
NIC/PP No./Co. Reg No of Shareholder/s

.....
Signature/s of Shareholder/s

NOTES

- Please delete inappropriate words.
- Instructions as to completion of Form of Proxy are given overleaf

Instructions as to completion of Form of Proxy

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member, to attend and vote on behalf of him.
2. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
3. In the case of Corporate shareholder, the Form of Proxy must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at Bimputh Finance PLC, No.362, Colombo Road, Pepiliyana, Boralesgamuwa not less than forty eight (48) hours before the time appointed for the holding of the Meeting.

CORPORATE INFORMATION



Name of Company

BimpuTH Finance PLC

Legal Form

A public limited liability company incorporated in Sri Lanka on 27th July 2007 under the Companies Act No. 7 of 2007 and a licensed finance company under the Finance Business Act No. 42 of 2011 and Finance Leasing Act No. 56 of 2000

Company Registration No.

PB 3259 PQ

Central Bank License No.

RFC 033

Tax Payer Identification No.

(TIN) – 134032596

Board of Directors

Mr. S.A.S Jayasundara
Mr. C. K. Gamage
Mr. Upali Hettiarachchi
Mr. K. P. C. S. Piyatillake
Mrs. M. Gamage-Brooker

Company Secretary

Mrs. Kashmi Kapuwella – Attorney-at-Law

Stock Exchange Listing

Shares of the Company are listed on the Colombo Stock Exchange

Registered Head Office

No. 362, Colombo Road, Pepiliyana, Boralesgamuwa
Telephone : +94-11-449 1491 / 92
+94-11-539 0000
Fax : +94-11-2086840

Bankers

Commercial Bank of Ceylon PLC
Bank of Ceylon
National Development Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Indian Bank PLC
Hatton National Bank PLC
Pan Asian Bank PLC

Auditors

Messrs S J M S Associates
Chartered Accountants
No. 11, Castle Lane
Colombo 04
Telephone : +94-11-258 0409
+94-11-250 3262
Fax : +94-11-258 2452

Registrars

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road, Colombo 03
Telephone : +94-11-257 3894
+94-11-257 6871
Fax : +94-11-2573609

Rating

Fitch Assigns 'B-(lka)' with a Negative Outlook



Bimputh Finance PLC

No. 362, Colombo Road, Pepiliyana, Boralesgamuwa.

Phone: +94 114 491 491 | Fax: +94 112 086 840

WWW.BIMPUTHFINANCE.COM