

CENTRAL FINANCE

C O M P A N Y P L C



ANNUAL REPORT 2021/22

VISION

Central Finance shall be the first choice for progressive customers in delivering innovative financial solutions.

MISSION

To be the leader in our industry, conducting business with responsibility, using our expertise in helping customers grow and prosper whilst creating lasting value for our shareholders.

CORPORATE VALUES



Customer Centered – We aim to build long term relationships with our customers, We believe in providing consistently high standards of service and integrity



Unyielding Integrity – We have a hard earned reputation of integrity and reliability which we shall safeguard at all times. Therefore trust, confidence, prudence and fairness in dealing with our customers, members of the public will be absolute and will form an integral part of our business philosophy



Superior Service – We believe in providing fast, quality service that earn customer satisfaction which results in customer retention



Exceptional Performance – We set ambitious goals, yet we understand accountability to achieve these goals. We are committed to perform exceptionally well on behalf of our stakeholders



Our People are our company – The ability and commitment of our people are central to the success of the company. Therefore, we help them enhance their skills, recognise and reward accomplishment, treat them with fairness and consideration. In return we expect every individual to take responsibility for his/her actions



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Financial Highlights

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Financial performance				
Income	24,580	23,994	17,501	19,406
Profit before income tax	9,649	6,804	7,468	5,015
Income tax	2,373	1,024	2,113	879
Profit after income tax	7,276	5,780	5,355	4,136
Net profit attributable to equity holders of the parent	7,003	5,544	5,355	4,136
Gross dividends	-	-	796	784
Financial position				
Total assets	115,606	114,397	100,040	101,594
Loans and advances to customers	58,626	64,515	58,629	64,522
Deposits	48,715	52,152	49,024	52,587
Funds attributable to equity holders of the parent	55,835	50,052	44,466	39,951
Non-controlling interest	1,635	1,453	-	-
Information per ordinary share				
Earnings Rs.	30.80	24.39	23.56	18.19
Dividends Rs.	-	-	3.50	3.50
Market value Rs.	-	-	68.10	80.70
Net assets value per share Rs.	245.59	220.15	195.58	175.72
Ratios				
Dividend cover (times)	-	-	6.73	5.20
Dividend pay out (%)	-	-	14.86	18.96
Shareholders' funds to deposits	-	-	90.70	75.97
Core capital ratio % (Tier 1)	-	-	44.32	32.42
Total capital ratio % (Tier 1 & 2)	-	-	44.89	32.88



26%

EPS GROWTH



15%

DIVIDEND PAYOUT



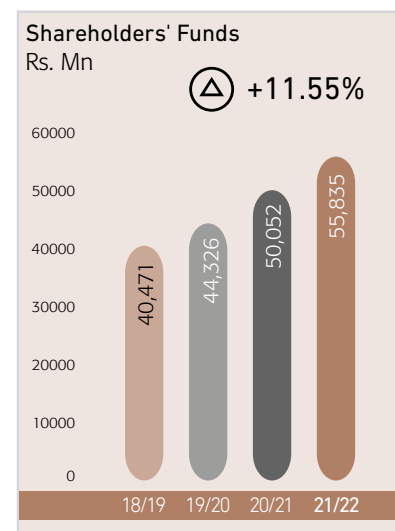
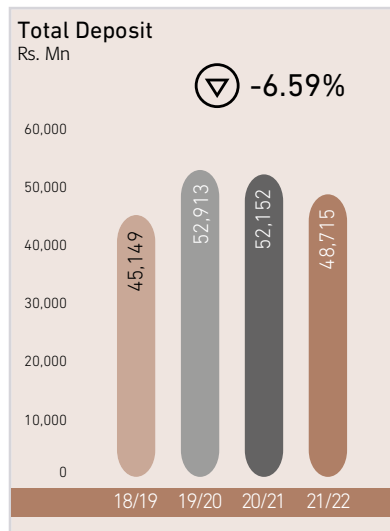
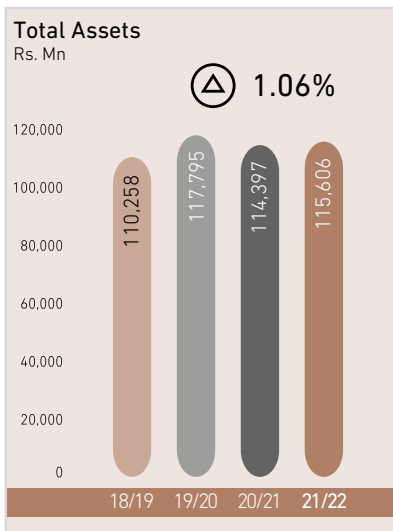
44.32%

TIER I CAPITAL RATIO



44.89%

TOTAL CAPITAL RATIO



Employees ↑

 **1,741** 20/21: 1,706
19/20: 1,892

Branches ↻

 **103** 20/21: 103
19/20: 103

Lending Customers ↓

 **83,319** 20/21: 107,546
19/20: 139,862

Depositors ↑

 **173,504** 20/21: 173,370
19/20: 174,953

Chairman's Statement



The Sri Lankan economy recovered during the last quarter of 2021 from the pandemic-induced contractions of the previous 18 months, however, continued to present several deeply entrenched structural problems and vulnerabilities.



I am pleased to welcome you to the 64th Annual General Meeting of Central Finance Company PLC and to present to you the Annual Report and Audited financial statements for the year ended 31st March 2022. Amidst the challenging conditions experienced during the period under review, Central Finance (CF), as an exceptionally well capitalised and financially stable company, has once again been able to deliver strong year end financial results to shareholders and other stakeholders by implementing prudent financial management, astute strategies, careful monitoring of risks and strong hands-on operations management.

MACROECONOMIC OVERVIEW

The Sri Lankan economy recovered during the last quarter of 2021 from the pandemic-induced contractions of the previous 18 months, however, continued to present several deeply entrenched structural problems and vulnerabilities. Significant among these were the lack of fiscal space aggravated by changes in the tax structure effective from January 2020 which provided relief and

concessions to invigorate economic activity. In response to the lack of fiscal space, measures were taken to shield the economy through monetary policy easing, provision of liquidity to markets and the Government adopting external sector and financial sector policies to help economic recovery in 2021 from the contraction in 2020. This resulted in a low cost of funds for working capital, expansion and investment resulting in an increase in economic growth and GDP per capita.

However, the inability to withdraw the monetary policy measures as the fiscal policy correction did not come through, led to negatively impacting macro-economic stability in late 2021, further aggravated in 2022 due to insufficient foreign exchange liquidity and global price increases of fuel, as well as supply chain disruptions. These conditions warranted adjustment in the exchange rate as a measure to alleviate the 'balance of payment' pressures due to precariously low official reserves and increase in policy interest rates to temper the rapidly growing inflationary pressure which resulted

from the monetary policy measures taken previously. The impact of these and expected fiscal and monetary policy measures required to bring about macro-economic stability are likely to impact the financial services industry in the short term.

INDUSTRY OVERVIEW

The Non-Bank Financial Institutions (NBFIs) sector recorded considerable improvement in terms of credit growth and profitability on an overall basis. Total assets of the sector amounted to Rs. 1,487.7 billion as of end 2021, representing 5.6% of the assets of Sri Lanka's financial system. Faced with unprecedented challenges, many Non-Banking Financial Institutions (NBFIs) in the sector were forced to rethink their business models, explore new business opportunities created by the pandemic and redesign their processes and procedures to improve efficiency and competitiveness. Investing in technology and upgrading IT infrastructure while prudently managing increased risk were key priorities for the financial year gone by.

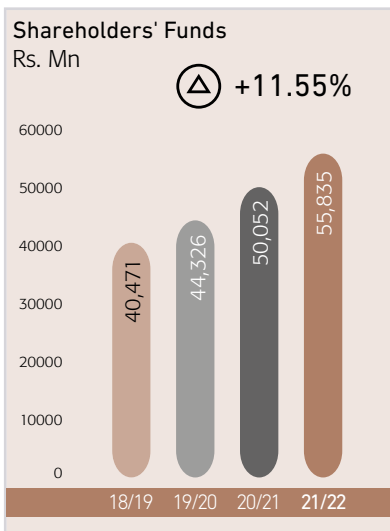
Rs. 56 Bn

SHAREHOLDERS' EQUITY

NBFI sector-wide credit portfolio asset quality had been enhanced as evidenced through a drop in sector NPLs to 11% by December 2021 compared to 13.9% reported in December 2020 but still remain high. The increase in the Net interest income as a result of significant decrease in Interest expense, increased Non-interest income and decrease in Loan loss provision due to increased collections, resulted in the NBFI sector's Profit after tax growing significantly to Rs.55.6 Billion in 2021 compared to Rs. 13.7 Billion in 2020. Return on Equity (ROE) of the sector reflected a sharp increase to 20.2% relative to 6.1% in the previous year.



Faced with unprecedented challenges, many Non-Banking Financial Institutions (NBFIs) in the sector were forced to rethink their business models, explore new business opportunities created by the pandemic and redesign their processes and procedures to improve efficiency and competitiveness.



COMPANY PERFORMANCE

The Company's strategy to strongly focus on recoveries rather than on aggressive lending paid off during the year with lower impairment charges, higher write-off recoveries and higher profits. CF maintained strong liquidity throughout the year. As at 31st March 2022, the Company's Tier 1 and Total Capital ratios were 44.32% and 44.89% respectively, both significantly higher than the statutory minimum of 8% and 12%.

The credit quality of the Company's lending portfolio improved despite COVID-19 induced challenges and macro-economic stress with impairment

charges declining to Rs. 273.09 Million compared to Rs. 3.26 Billion in the previous financial year. This led to a decrease in the Gross NPL ratio to 9.86% compared to 13.57% in the previous year.

In the fourth quarter, the Company also re-assessed the Expected Credit Loss (ECL) taking into consideration the potential losses in the loans and lease portfolios arising from expected delinquencies due to significant deterioration in the macro-economic indicators through various scenario based assessments. Funds attributable to equity holders at the Group level represented a 11.55% increase to Rs. 55.84 Billion, mainly arising from Group Profit after tax net of cash dividends paid out.

Chairman's Statement

The immediate future will prove to be challenging as cost of living will increase due to inflation and disposable incomes will be impacted. CF will however continue to partner its customer base to deliver solutions that support the economic recovery of its customers.

The Board, in keeping with its commitment to enhancing the share value, has paid an interim cash dividend of Rs.1.50 per share and proposes a final cash dividend of Rs. 2.00 per share for the shareholder's approval at the Annual General Meeting to be held on 30th June 2022.

PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

The main subsidiary and associate companies performed reasonably well under the prevailing conditions, albeit with delays and difficulties in procuring raw materials, shortage of chemical fertilizer, and decrease in interest income impacting some of the companies. The major contribution arose from Nations Trust Bank PLC which delivered the highest ever profits in its operating history during the financial year ended 31 December 2021, reporting a Profit after Tax of Rs. 6.69 Billion. This is an increase of 65% over the profit reported for the financial year ended 31 December 2020, demonstrating the Bank's ability to adapt and thrive in extraordinarily challenging circumstances.

BOARD CHANGES

Mr. G.S.N. Peiris, Director - Finance, who served on the Board since 1983, retired from his duties on 30th June 2021 in accordance with the succession plan of the Company. I thank him for his loyal and outstanding service to CF during his tenure which enabled the Company to grow from strength to strength. I wish him well in his future endeavours.

I also take this opportunity to welcome Mr. C.S. Hettiarachchi who was appointed to the Board with effect from 01st July 2021 as Director - Corporate Affairs.

APPRECIATIONS

In this challenging year, I would first and foremost like to thank all employees of Central Finance Company PLC for their unwavering commitment to the Company.

I also wish to place on record my appreciation to our customers who have valued our ethical business practices, sustainable business model, strong capital base and customer-friendly approach and continued their business relationship with us throughout many years and in particular during these challenging times.

My thanks are also due to my colleagues on the Board who have contributed immensely in guiding and advising me throughout the past year.

I would like to express my appreciation to the Governor of the Central Bank of Sri Lanka and the officials at the Department of Supervision of Non-Bank Financial Institutions, for their regulatory reforms, diligent oversight and guidance.

I would also like to thank the shareholders, bankers and all other stakeholders of Central Finance Company PLC, for the trust and confidence placed in the company.



A.D.B. Talwatte

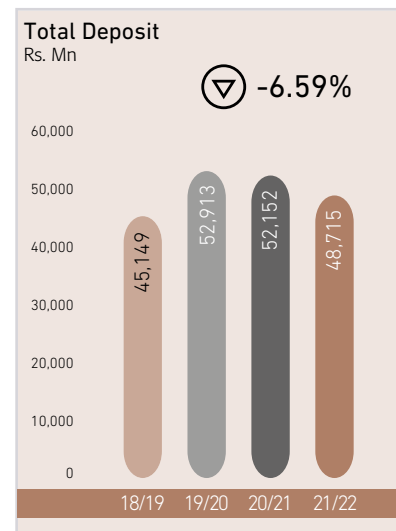
Chairman

Colombo
24th May 2022

Managing Director's Report



An unintended consequence of an easy macroeconomic policy was a rapid rise in inflation and a foreign currency liquidity shortage which warranted more aggressive countermeasures in early 2022.



I am pleased to report that despite the numerous challenges experienced in 2021/22, the Company and Group recorded very satisfactory results during the period under review.

It was a year of contrasts. The pandemic continued to rage with the emergence of newer variants of the virus and the authorities had to introduce lockdowns and travel restrictions to manage the situation which in turn impacted economic activity. With the introduction of the accelerated vaccination programme, the pandemic was brought under control. Even though the second half of the year was encouraging on the whole, the sharp drop in economic activity, concerns around job losses and weakness in demand along with postponement of the capex cycles led to a decline in new lending activities.

OPERATING ENVIRONMENT

The first half of the financial year saw the continuation of an easy macroeconomic policy with low interest rates and ample liquidity rolled out to spur economic activity. However as signs of imbalances in the economy emerged with pent up demand exerting pressures on the external sector and financial markets, the Central Bank of Sri Lanka commenced tightening of monetary and liquidity conditions during the second half of 2021. An unintended consequence of an easy macroeconomic policy was a rapid rise in inflation and a foreign currency liquidity shortage which warranted more aggressive countermeasures in early 2022.

Overall, the financial services industry including banks, non-banking financial institutions (NBFI) and insurance companies performed well. As a result, the asset base of the NBFI sector increased by 6.1% compared to the 2.2% contraction observed in 2020.

The sector expansion was mainly driven by the growth in the loans and advances portfolio, which accounted for the bulk of the total assets of the sector. The lease portfolio accounted for 48.3% of the loans and advances of the sector as of December 2021. The leasing portfolio declined mainly due to the restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict foreign exchange outflows.

The NBFI sector gross Non Performing Loan (NPL) ratio decreased to 11% by December 2021 compared to 13.9% reported in December 2020. The loan loss provision against NPLs declined due to increased collections during the period.

Rs. 49 Bn
CUSTOMER DEPOSITS

Managing Director's Report

Customer deposits continued to dominate the source of funds of the sector representing 52.7% of the funding base as of 31 December 2021. The NBFIs sector showed resilience, with adequate capital in compliance with minimum regulatory capital requirements.

The profitability of the sector increased significantly due to net interest income growth by 18.2% owing to decrease in the interest expense and decrease in provisions against NPLs in 2021.

The sector maintained liquidity well above the minimum required level during 2021 with a liquidity ratio (liquid assets against the deposits and borrowings) of 14.1% reported by end December 2021.

OPERATING AND FINANCIAL PERFORMANCE

CREDIT AND LENDING

Overall, the Company adopted a cautious approach to lending due to the prevailing economic conditions, during the year under review. The main focus was maintaining credit quality, which had been significantly improving over the past two years as the Company consciously managed its exposure to sectors severely impacted by the pandemic such as education (school bus operators), transportation (staff and route bus operators), travel and tourism (tour operators, taxi operators). Overall, the endeavour was to mitigate any possible adverse impact on the Company's balance sheet. A more conservative approach towards loan to value ratios

was also adopted due to the elevated risk perceptions in the aftermath of the pandemic as also the significantly weaker economic sentiments witnessed during the latter half of the year. The loan book contracted to Rs. 58.63 Billion from Rs. 64.52 Billion in the previous year due to the aforementioned reason of tighter underwriting standards.

SAVINGS AND DEPOSITS

The customer deposit base stood at Rs. 49.02 Billion, and although deposit mobilisation activities were restrained due to limited lending opportunities, the Company mobilised fresh deposits aggregating to Rs.5.6 Billion during the year while maintaining a renewal ratio of 93% of matured deposits.

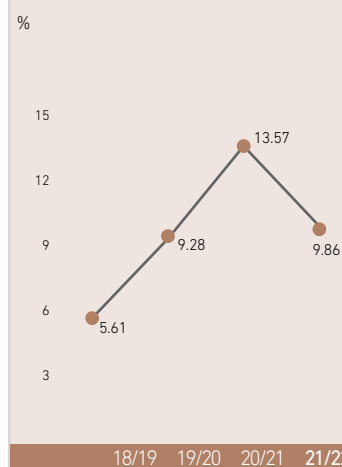
CF strengthened relationships with depositors by ensuring they had easy and convenient access to their funds at all times via traditional and digital channels. As part of the digital initiative to provide support to depositors CF launched online services to its depositors through CF Click Mobile app in April 2020.

ASSET QUALITY

During the year under review, CF improved its asset quality when compared to the previous year. CF's year-end NPL ratio was recorded at 9.86% as against the industry average of 11% as of December 2021. CF was selective in new credit growth and reviewed credit underwriting criteria to minimise exposure to vulnerable segments. A key ingredient to CF's performance during the year was its comprehensive relationship-centric business approach to support customers'

revenue generating activities while also offering restructuring support within and outside the CBSL moratoriums. This approach resulted in enhancing customer engagement which, aligned with a series of initiatives helped improve the NPL ratio to 9.86% compared to 13.57% in 2020-21 and to lower loan impairments. Reflecting the economic slowdown and the cash flow strains faced by customers, the Company adopted a cautious approach to expanding the loan book in the first half of the year with modest volume growth recorded in the second half of 2021/22. CF partnered customers through a host of engagement initiatives to strengthen outreach during this period of uncertainty. All borrowers were kept regularly informed about the regulatory developments, especially regarding the grant of moratoriums. This was done entirely using digital methods and last mile servicing done by our employees though intensified field visits and digital communications. The digital channels functionalities were enhanced to improve and monitor progress of these initiatives.

NPA Ratio



FINANCIAL PERFORMANCE

At company level, net profit after tax increased by 29.48 % to Rs.5.36 Billion compared to Rs. 4.14 Billion reported in the previous financial year while Group net profit after tax increased by 25.89% to Rs. 7.28 Billion. Net Interest Income (NII) stood at the same level of Rs. 10.34 Billion despite a contraction in the credit portfolio and the low interest rate regime assisted by lower finance expenses. Tightening lending criteria, lower rates and higher incidence of early settlements of credit facilities led to a reduction in interest income to Rs. 14.16 Billion compared to last year's Rs. 16.55 Billion. The impact was partly mitigated by a significant decrease in funding costs by 38.35% to Rs. 3.82 Billion compared to Rs. 6.19 Billion previously.

Other income increased by 107.24% to Rs. 1.68 Billion compared to Rs. 810 Million in the previous financial year helped by systematic collections and recovery efforts. This sum includes a gain on disposal of the shareholding in Mark Marine Services (Pvt) Ltd which amounted to Rs.158.27 Million. The control on operating costs and the ability to fund the business at low rates maintained margins at a reasonably healthy level.

Total assets of the company stood at Rs. 100.04 Billion. compared to Rs.101.59 Billion previously.

Rs. 100 Bn
TOTAL ASSETS



A key ingredient to CF's performance during the year was its comprehensive relationship-centric business approach to support customers' revenue generating activities while also offering restructuring support within and outside the CBSL moratoriums.



LIQUIDITY AND CAPITAL

The Company continued to maintain strong liquidity throughout the period under review, with the excess funds invested in liquid investments , repurchase agreements, and other financial instruments.

As at 31st March 2022, the Company's Tier 1 and Total Capital ratios were 44.32% and 44.89% respectively, both significantly higher than the statutory minimum of 8% and 12% respectively.

CREDIT RATING

The Company's national long term credit rating has been retained at "A+ (lka)" by Fitch Ratings Lanka.

DIVIDEND

The Board, in keeping with its commitment to enhance returns to shareholders paid an interim cash dividend of Rs.1.50 per share in December 2021 and now proposes a final cash dividend of Rs. 2.00 per share for approval by the shareholders at the Annual General Meeting (AGM) to be held on 30th June 2022.

CONSOLIDATED FINANCIAL RESULTS

The Consolidated profit after tax is Rs.7.28 Billion as against Rs. 5.78 Billion of the previous year.

The salient features extracted from the financial statements of the main Subsidiaries and Associates are summarised below.

Managing Director's Report

Through these challenging times, Central Industries PLC has been able to record net revenue growth of 63.28% over the previous year recording total revenue of Rs. 6.73 Billion in 2021/22.

CF Insurance Brokers (Pvt) Limited (CFIB)

The COVID-19 pandemic related disruptions impacted significantly on the normal business operations of the Company, and 2021 was another challenging year with significant uncertainty and volatility in the business environment. The commission income reduced by 10.83% to Rs. 272.21 Million compared to Rs. 305.28 Million in 2020 due to the slowdown of premium income growth and collections in 2021.

The other operating income represented a significant increase of 94.36% to Rs. 246.33 Million compared to Rs. 126.74 Million in 2020 mainly due to increase in income from gains in fair value of listed shares of Rs. 65.85 Million and realised

gain of Rs. 71.24 Million on the disposal of the investment in Mark Marine Services (Private) Limited. Interest income from fixed interest bearing instruments decreased by Rs. 26.37 Million due to the reduction of market interest rates. Pre-tax profit increased to Rs. 376.51 Million compared to Rs. 294.20 Million in the prior year, consequently, net profit after tax for the year amounted to Rs. 325.75 Million compared to Rs. 230.51 Million in the prior year which represents a 41.32% increase.

Central Industries PLC

The Company has remained resilient and steadfast in its approach despite a turbulent macroeconomic environment that has impacted the Company in numerous ways. The lack of US Dollars in the market resulted in restricted importation of raw materials for production and the increased cost of raw

materials and significant volatility in the exchange rates had negatively impacted the performance during the year under review. Through these challenging times, Central Industries PLC has been able to record net revenue growth of 63.28% over the previous year recording total revenue of Rs. 6.73 Billion in 2021/22. The Company's gross profit represented a 76.69% increase to Rs. 1.41 Billion over the previous year while Profit After Tax grew only by 24.55% to Rs. 502 Million compared to the previous year mainly due to a net foreign exchange loss incurred by the Company amounting to Rs. 352.65 Million in the current financial year. The floating of the rupee against the US Dollar also affected the Company's profits as the Company had usance bills against letters of credit payable at a future date.

Tea Smallholder Factories PLC (TSFL)

The Sri Lankan tea industry performed well in the first half of the financial year, with crop production increasing across all elevations supported by the conducive weather patterns while the second half was a challenge for the industry due to the ban on inorganic fertilizer imports, rising wage rates, increased costs of production and difficulties faced in importing supplemental items.

The Company's performance was impacted by the challenges faced by the tea industry in terms of lower production, reduced leaf quality and increased cost of production. The Company's revenue was impacted by the reduced volumes of tea available for sale and the steep drop in prices between April and November 2021. The Company's made tea production reduced by 18% to 2.97 Million Kilograms during the year. Total revenue fell by

13.96% to Rs. 2.02 Billion in the year under review compared to Rs. 2.35 Billion recorded in the previous year. The total production cost increased due to the Government mandated increase in minimum wages to plantation sector workers. These factors contributed to the reduction in the Company's profitability by 77% during the year under review to Rs. 15.31 Million Profit After Tax compared to Profit After Tax of Rs. 66.54 Million recorded in the previous year.

However the depreciation of the Sri Lankan Rupee against the US dollar during the 4th quarter of the year enabled TSFL to record a profit of Rs. 71.2 Million compared to the cumulative loss of Rs. 48.54 Million recorded during the first three quarters of the year.

In order to maintain the quality of its tea, the Company paid a premium to source better quality leaf and upgraded its machinery to improve efficiency. With a focus on improving green leaf quality, the Company continued to work closely with tea smallholder suppliers to improve processes, share innovative agricultural practices and offered loans to enable regular fertiliser application. The Company also continued to implement cost control measures and has put in place stringent monitoring processes to manage costs.

Nations Trust Bank PLC

Nations Trust Bank PLC Group delivered the highest profits in its operating history during the financial year ended 31 December 2021 and reported a Rs. 6.69 Billion Profit after Tax, an increase of 65% compared to Rs. 4.05 Billion reported in the previous year. This demonstrated the Group's ability

to adapt and thrive in extraordinarily challenging circumstances. The Bank evolved and adapted its strategy proactively identifying and responding to emerging risks and opportunities, focusing efforts on de-risking the portfolio, preserving credit quality and pursuing operational efficiencies. Group Profit after Tax increased in view of trading gains, cost efficiencies and improvements in the quality of the credit portfolio. The operating income for the year increased by 12% due to effective margin management and trading activities whilst the operating expenses decreased by 2% which translated to a significant reduction in the cost to income ratio to 39% in 2021 compared with 45% in 2020. The Group successfully delivered on its shareholder commitments with Return on Equity improving to 17.9%, from 12.1% in 2020.

Fees and Commission Income grew by 27% to Rs. 6.14 Billion due to the expansion in trade finance facilities to the export segment and credit card related fees, while the net gain from trading increased to Rs. 2.47 Billion compared to Rs. 1.37 Billion in 2020 owing to foreign exchange gains from trading activities.

Group's credit quality has improved despite the broad-based economic stress with impairment charges declining by 3% to Rs. 3.74 Billion in 2021 compared to Rs. 3.85 Billion in 2020 and decrease in the gross NPL ratio to 4.9% from 7.2% in 2020, reflecting the proactive recovery and collection efforts, on-going engagement with customers in offering customised repayment plans and selective lending to customers prioritising credit quality over volume growth.



Nations Trust Bank PLC Group delivered the highest profits in its operating history during the financial year ended 31 December 2021 and reported a Rs. 6.69 Billion Profit after Tax, an increase of 65% compared to Rs. 4.05 Billion reported in the previous year.



Managing Director's Report



Despite these obstacles and work from home requirements, employees came together as one team to offer unparalleled customer care while navigating new government imposed regulations and several moratoriums while maintaining tight deadlines.



The financial position continued to be strengthened following strong profit retention, the issue of Rs. 4 Billion of rated, senior, redeemable debentures and a USD 40 Million facility from FMO - Dutch Entrepreneurial Development Bank, which demonstrated the ability of the Bank to attract investments during a challenging year. Resultantly, the Tier 1 Capital and Total Capital Adequacy ratios amounted to 14.77% and 17.46% by end 2021 compared to 14.4% and 17.98% in 2020.

The Bank declared and paid a first and final scrip dividend of LKR 3.50 per share compared to a first and final cash dividend of Rs. 2.00 per share in the year 2020.

Rs. 7.3 Bn

GROUP PROFIT AFTER TAX

SUSTAINABILITY

The Company pursues ethical operations and conforms to the highest governance standards. As a deposit taking institution, customers place confidence in CF because of its reputation, financial stability and integrity.

As a longstanding financial institution, CF engages with local community through CSR projects conducted by its branch network in their local communities. The Company made donations to support the health sector through the pandemic period, launched educational programmes to rural students and ensured employee safety and well-being through training, competitive remuneration and employee benefits while being conscious of the environmental impact. At Company level, alongside other staff welfare measures, a vaccination drive was conducted and coordinated efforts continue to ensure all employees, especially frontline staff, are protected and vaccinated.

FUTURE OUTLOOK

Realistically, the country's economic recovery will be marked by a high degree of uncertainty and the transport sector is likely to take a while to recover. We expect some of these pressures to impact our customer base. Credit growth is expected to slow down in the coming months due to restricted economic activity.

The Company remains well protected from negative exposures to risky assets as a result of its robust risk and governance frameworks. The immediate priority will be to manage the interest rate risk, since it could impact the net interest margin. Another fundamental problem many companies would face is liquidity, however CF, as a well-capitalised company with strong liquidity, is confident of overcoming this hurdle comfortably.

We remain hopeful that the Government will work out bridging credit lines with bilateral institutions and friendly countries, while working with IMF and other partners to resolve the current crisis. Once the interest rates stabilise, it would be easier for CF to rollout credit expansion. It is heartening to see how the Company has navigated the year with courage and fortitude by leveraging on the wealth of experience and talent of the CF team.

APPRECIATION

The past two years have tested our employees as they have had to overcome many personal and workplace challenges due to the pandemic and multiple economic crises. Despite these obstacles and work from home requirements, employees came together as one team to offer unparalleled customer care while navigating new government imposed regulations and several moratoriums while maintaining tight deadlines. Our staff displayed high commitment, passion and enthusiasm to deliver an exceptional year for the Company. On behalf of all of our numerous stakeholders and on my own behalf, I wish to convey our sincere appreciation for their outstanding and consistent contribution in a year fraught with many uncertainties.

I wish to thank the Chairman and Board of Directors for their guidance through a difficult year. The entire corporate team has been exceptional in realising the business imperatives and worked tirelessly to achieve our goals. Many of the strategies we embarked on this year were new but the manner in which all stakeholders took ownership and responsibility was indeed remarkable and noteworthy.

I would like to thank our customers, depositors, suppliers and partners for their continued confidence in CF. We remain committed and thankful to our shareholders for their continued trust and confidence in CF.

In conclusion, we convey our appreciation to the Central Bank of Sri Lanka and the officers of the Department of Supervision of Non-Bank Financial Institutions for their guidance and support throughout the year and our External Auditor, KPMG, for their valuable input and timely completion of the audit.



E. H. Wijenaike
Managing Director

Colombo
24th May 2022

Board of Directors

ASITE DRUPATH BANDARA TALWATTE

Independent Non-executive Chairman

Asite Talwate, an Independent Non-executive Director of the Board of Central Finance Company PLC since 30th June 2016 functions as the Chairman of the Company with effect from 01st July 2020. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants of the United Kingdom. He has a Postgraduate Diploma in Business and Financial Administration awarded by the CA Sri Lanka and the University of Wageningen, Holland and an MBA from the University of Sri Jayawardenapura, Sri Lanka. He has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, and Evanston, Illinois. He has worked with Ernst & Young for over 37 years, during which period he functioned as the Country Managing Partner for over a decade. He has worked with Ernst & Young's Far East Area Executive Committee, the Area Advisory Council and served on the ASEAN Leadership Committee.

He has served as a former President of the Institute of Chartered Accountants of Sri Lanka (2002/2003) and the Chartered Institute of Management Accountants, Sri Lanka (1995/1996) and has also served as the Chairman of the Statutory Accounting Standards Committee, the Auditing Standards Committee, the Urgent Issues Task Force and the Examination Committee of the Institute of Chartered Accountants of Sri Lanka. Mr. Talwate has been closely associated with the development of Corporate Governance in Sri Lanka. He was actively involved in the development of the Code of Best Practice on Corporate Governance of 2013 of CA Sri Lanka in 2012. Mr. Talwate co-chaired a Committee on Corporate Governance jointly set up by the CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka to review and revise the Code of Best Practice on Corporate Governance 2013. He chaired the Committee set up by the Institute of Chartered Accountants of Sri Lanka to review and revise the Code of Corporate Governance issued in 2017. He also represented CA Sri Lanka and chaired the Integrated Reporting Council of Sri Lanka and currently serves as the Chairman of the Corporate Governance Committee of CA Sri Lanka (2022/23).

He has served as a Director of People's Bank and the SME Bank and currently functions as the Chairman of Management Systems (Pvt) Ltd. He also serves on the Boards of several other companies including Diesel & Motor Engineering PLC, Sunshine Holdings PLC, Tokyo Cement Company (Lanka) PLC, CT Holdings PLC, Chevron Lubricants Lanka PLC and Ceylon Hospitals PLC.

ERANJITH HARENDRA WIJENAIKE

Executive Director

Eranjith Wijenaike is the Managing Director of Central Finance Company PLC and has served on the Board since 1st April 1983. He is a Non –Executive Director of Tea Smallholder Factories PLC, Equity Two PLC, Equity One Ltd , Central Industries PLC and has served as a founder Director of Nations Trust Bank PLC. He holds a Bachelor's Degree in Commerce and Post Graduate Diploma in Banking and Financial Management.

ARJUNA KAPILA GUNARATNE

Executive Director

Arjuna Gunaratne, an Executive Director since 20th February 2002 functions as Deputy Managing Director / Deputy CEO with effect from 01st July 2020. He oversees the functions of Strategic Planning, Marketing, Deposits, Branches, Risk Management and Information Technology operations of the Company. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK. He is also a Chartered Global Management Accountant. He functioned as a Director of Nations Trust Bank PLC from May 2005 to October 2012, and as the Chairman of the Bank from November 2012 to April 2014 and serves on the Boards of Tea Smallholder Factories PLC, Central Industries PLC and several other unquoted companies within the Group.

DHAMMIKA PRASANNA DE SILVA

Executive Director

Prasanna de Silva, an Executive Director since 01st July 2011 functions as Director/Chief Operating Officer with effect from 01st July 2020. He oversees the functions of Credit, Recoveries, Vehicle Hire, Vehicle Sales and Corporate Social Responsibility of the Company. He served as the Chairman of the Leasing Association of Sri Lanka from 2007 – 2009 and a director of Nations Trust Bank PLC. He is a Fellow of the Chartered Institute of Management Accountants -UK and has completed all examinations of Chartered Financial Analyst (CFA) programme.

DR. (MRS.) AGAMPUDI DAMITHA NANDANIE DE ZOYSA

Independent Non-executive Director

Dr. (Mrs.) de Zoysa has been a member of the Board of Central Finance Company PLC since 15th February 2017. She was the former Secretary to the Ministry of Plantation Industries from 2014 to 2015, the former Secretary to the Ministry of Productivity Promotion from 2013 to 2014, the former Secretary to the Ministry of Fisheries and Aquatic Resources Development from 2010 to 2013, the Director General of the Department of Development Finance of the Ministry of Finance and Planning & the Treasury from 2006 to 2010 and the Director General of the Department of Fiscal Policy of the Ministry of Finance and Planning & the Treasury from 2005 to 2006.

Dr. (Mrs.) de Zoysa holds a B.A (Hons.) Degree in Economics (Statistics) from the University of Peradeniya, M.Sc. Degree in Agricultural Development Economics from the Australian National University, Canberra, Australia, M.A. Degree in Economics from the Ohio State University, Columbus, Ohio, USA and Ph.D. Degree in Agricultural Economics from the Ohio State University, Columbus, Ohio USA.

Dr (Mrs.) de Zoysa currently serves as a Director of AgStar PLC, a member on the Education Service Committee of Public Service Commission, a Member on the Board of Studies of Post Graduate Institute of Management and has served as a Director of DFCC Bank PLC, Lankaputhra Development Bank and Sri Lanka Savings Bank.

ARJUN RISHYA FERNANDO

Non-executive Director

Arjun Rishya Fernando has been a member of the Board of Central Finance Company PLC since 16th August 2017. Arjun Fernando possesses over 35 years of experience in banking and financial services, both locally and overseas at senior positions, including directorships at large banking institutions.

He holds a B.Sc. in Engineering from Southern Illinois University, USA and an M.Sc. in Management from Clemson University, USA. He is also an Associate of the Institute of Financial Studies (Chartered Institute of Bankers), U.K.

He currently serves as a Director of Nations Trust Bank PLC, NDB Capital Holdings Ltd., NDB Securities (Pvt) Ltd., NDB Zephyr Partners Ltd. and Durdans Medical & Surgical Hospital (Pvt) Ltd. He has served as the Chief Executive Officer of DFCC Bank PLC, Chairman of DFCC Consulting (Pvt) Limited, Lanka Industrial Estate Limited, Synapsys Limited, Acuity Partners (Pvt) Limited and a director of Acuity Stockbrokers (Pvt) Limited.

CHANDIKA KUSHAN HETTIARACHCHI

Executive Director

Chandika Kushan Hettiarachchi is the Director Marketing of Central Finance Company PLC and has been a member of the Board since 17th July 2018. Chandika joined Central Finance in November 2000 as Manager (Credit) and held several senior managerial positions prior to his appointment as an Executive Director.

He is an Associate Member of the Chartered Institute of Management Accountants of UK (ACMA), Chartered Global Management Accountant (CGMA) and holds a Master of Business Administration Degree from the University of Wales, UK.

Board of Directors

Chandika Hettiarachchi counts over 24 years of experience in the Non-banking Financial Services sector, which includes over 21 years at Central Finance Company PLC. He has carried out many assignments as a Consultant to numerous International Development Agencies including the International Finance Corporation (IFC). He serves as Chairman of Allied Properties Ltd., a Director of Nations Trust Bank PLC, Waldock Mackenzie Ltd., CF Insurance Brokers (Pvt), Ltd., a fully owned subsidiary of Central Finance, and served as a board member of Leasing Association of Sri Lanka from 2017 to 2019.

KUDA BANDA HERATH

Independent Non-Executive Director

Kuda Herath was appointed to the Board of Central Finance Company PLC on 16th February 2019. He holds a bachelor's degree in applied chemistry from the University of Kingston, London. He has served as an Executive Director at A. Baur & Co. (Pvt.) Ltd. and currently serves as the Chief Operating Officer of Sunshine Consumer Lanka Limited. Kuda Herath possess over 27 years' experience in the fast moving consumer goods industry, having held middle management positions in the areas of sales and marketing at Nestle Lanka PLC previously.

MANJULA HIRANYA DE SILVA

Independent Non-executive Director

Manjula de Silva was appointed to the Board of Central Finance Company PLC on 01st July 2020. He holds a BA Hons (First Class) degree in Economics from the University of Colombo and an MBA from London Business School, UK. He is also an FCMA (UK) and a CGMA. Further, he has pursued executive education at INSEAD Business School, France and Harvard Business School, USA.

He currently serves as the Secretary General and CEO of the Ceylon Chamber of Commerce, an Independent Non-executive Director and Chairman-Audit Committee of BPPL Holdings PLC and a Commission Member of the Tertiary and Vocational Education Commission (VTEC). Prior to that, he served as Chairman of the State owned National Insurance Trust Fund (NITF) during 2015 - 2019. He also served as a Commissioned Member of the Securities and Exchange Commission (SEC) of Sri Lanka during 2018 - 19 and as a Consultant to the Ministry of Public Enterprise Development during 2017 - 18. Prior to 2015, he served as the Managing Director of HNB Assurance PLC for 9 years and as its CEO for 2 more years. He has also held leadership positions as General Manager, Eagle NDB Fund Management Company Ltd (currently NDB Wealth Management), General Manager - Corporate Lines and Human Resources, Eagle Insurance Co. Ltd (currently AIA Insurance) and Director General, Public Enterprises Reform Commission (PERC).

In his capacity as Chairman - NITF, he served on the Governing Council of Asian Reinsurance Corporation based in Bangkok representing the Government of Sri Lanka. He also served as the Chairman of CIMA (Chartered Institute of Management Accountants) Sri Lanka Board in 2016 and was subsequently appointed to its Regional Board for MESANA (Middle East, South Asia and North Africa) Region. He was a Committee Member of the Ceylon Chamber of Commerce for a long period of time and has served as the Chairman of its Steering Committee on Insurance. He is a Past President of both Insurance Association of Sri Lanka (IASL) and Unit Trust Association of Sri Lanka (UTASL).

CHAMINDA SAMPATH HETTIARACHCHI

Executive Director



Chaminda Hettiarachchi was appointed to the Board of Central Finance as Director Corporate Affairs on 01st July 2021. C.S. Hettiarachchi is an Attorney-at-Law of the Supreme Court of Sri Lanka and holds a Bachelor of Law (LLB) Degree from the University of Colombo. He also holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenapura. He commenced his career as an Executive Trainee at Commercial Bank of Ceylon PLC and joined Central Finance Company PLC in 2002. He has held various positions at Central Finance Company PLC and functioned as General Manager (Legal) prior to his appointment to the Board. He counts over 20 years of experience in the financial sector which includes over 19 years' at Central Finance Company PLC.

C.S. Hettiarachchi is the current Chairman of Leasing Association of Sri Lanka (LASL) and a director of Credit Information Bureau of Sri Lanka (CRIB), Central Industries PLC, and several other unquoted companies within the Group. He was also a member of the Financial System Stability Consultative Committee (FSSCC) of the Central Bank of Sri Lanka. He was the representative of LASL to The Ceylon Chamber of Commerce and a member of Ceylon Chamber of Commerce's national agenda Committee on Finance and Capital Markets. He has served as a director of Finance Houses Association (FHA).

Corporate Management Team

K. O. V. S. M. S. WIJESINGHE

FCA (Sri Lanka), FCMA (UK)

Chief Strategy Officer

A. K. KALUHENDIWELA

MBA - (University of Wolverhampton - UK)

General Manager - Branches

M. A. M. FAROOK

BSc Computing & Information Systems

(University of London Guildhall - UK)

Dip. in Computer System Design - NIBM

General Manager - Information

Technology

R. E. S. GEORGE

Chartered MCIPM (CIPM)

MBA (ICFAI University - Dehradun - India)

Diploma in Banking and Finance (IBSL)

General Manager - Human Resources

MS. W. M. T. W. WEERASINGHE

ACA (Sri Lanka), BSc (University of Sri

Jayawardanapura)

General Manager - Finance/Chief

Financial Officer

G.A. BANDARANAYAKE

Deputy General Manager - Head Office

L. L. D PRASANGA

BSc Agricultural Technology & Management

(University of Peradeniya)

MBA (University of Wolverhampton - UK)

Deputy General Manager - Recoveries

MS. S. KANAGASABAPATHY

ACA (Sri Lanka), ACMA (UK), CGMA

MBA - (Cardiff Metropolitan University- UK)

Deputy General Manager - Internal Audit

M. S. HABARAKADA

BSc Physical Science (University of

Peradeniya)

PgD in IT (University of Moratuwa)

Deputy General Manager - Information

Technology

A. F. GOONETILLAKE

Dip. in Marketing (UK), MCIM (UK), Dip. in

IDPM (UK)

Senior Assistant General Manager -

Marketing Services

S. EKANAYAKE

Senior Assistant General Manager - Fleet

Management

A. P. B. RAJANAYAKE

Senior Assistant General Manager -

Deposits

D. M. WARNAKULASURIYA

Senior Assistant General Manager -

Recoveries

L. R. DE. SILVA

BA - (University of Kelaniya)

MBA - (University of Wolverhampton - UK)

Assistant General Manager -Recoveries

S. SUBRAYAN

PgD in Marketing (Sri Lanka Institute of

Marketing)

Assistant General Manager - Marketing

M. M. A. JAYASINGHE

BSc Eng (University of Moratuwa)

CEMBA (Open University of Sri Lanka)

PgD in Banking and Finance (University of

Colombo)

Assistant General Manager - Credit

MS. A. R. WIJENAIKE

BSc Biological Science (University of Bristol

- UK)

Assistant General Manager - Credit &

Operations

Management Discussion and Analysis



Going ahead, the Company aims to continue its cautious lending approach due to the economic and political uncertainty prevailing as at 31st March 2022 and also due to the present regime of high interest rates which would have an adverse impact on the borrowers' ability to service debt.



CREDIT AND LENDING

Given the uncertainty, the main focus of lending during the year was on maintaining quality, which had been significantly improving over the past two years as the Company consciously managed its exposure to sectors severely impacted by the pandemic.



VEHICLE HIRE

A challenge faced during the year was sourcing of vehicle spare parts and accessories required to support the maintenance of the hiring fleet, as well as managing the escalating costs of maintenance.



DEPOSITS

By leveraging on technology backed services to offer the entire spectrum of financial services on a digital platform, the Company is dedicated to offering greater ease of access, speed of transactions and peace of mind to customers.



BRANCH NETWORK

During the pandemic, a business continuity plan was implemented across the branch network to ensure branch operation could continue without any interruption.



RECOVERIES

During the year CF reached out to clients in difficulty and offered customised payment plans to ease their debt service burden. This initiative proved to be beneficial for both parties, also resulting in the generation of considerable goodwill.



INFORMATION TECHNOLOGY

In order to enhance IT security an endpoint protection system was also implemented that has the capability to detect and respond to threats while managing threat hunting and threat intelligence automation.

Management Discussion and Analysis



CREDIT AND LENDING

The prolonged impact of the pandemic during the year under review, coupled with several lockdowns and a severe deterioration of the economy rendered the operating climate unfavourable for lending activities. As a result, the Company largely slowed its credit activities in the first half of the year, eventually opening up its lending book cautiously by October 2021. It was only in December 2021, after careful consideration of economic developments, that reasonable credit activity was recorded in line with the Company budget.

Anticipating interest rate increases, the Company adopted a slightly higher pricing strategy compared to the main competitors. This too had a negative effect on business volumes initially.

Given the uncertainty, the main focus of lending during the year was on maintaining quality, which had been significantly improving over the past two years as the Company consciously managed its exposure to sectors severely impacted by the pandemic.

Overall, the endeavour was to limit exposure to weak credit and mitigate any possible adverse impact on the Company's performance. A more conservative approach on the loan to value ratios was also adopted as a safety measure.

Considering the adverse economic developments taking place in the last quarter of the year, a measured decision was taken to reduce the reliance on extending credit to the three-wheeler segment. This was mainly due to the possibility of a drop in their income generation activities due to the increase in operating costs and fuel shortages. On the other hand, the Company grew lending to cars and vans which were considered as lower risk assets to finance. Despite taking a cautious approach towards lending in 2021/22 and hampered operations for about six months in view of lockdowns and subdued economic activity, the Company recorded Rs. 27.4 Billion of new business volumes on leasing and business loans portfolios.

Moreover, during the period under consideration, a sharp increase in cost of raw materials and goods created an urgent short term need for cash for some of the Company's SME and MSME clients; and responding to their need, the Company introduced short term credit instruments to fulfil their need for immediate funding. This proved to be a highly successful strategy and helped secure a larger share of this market segment.

Going ahead, the Company aims to continue its cautious lending approach due to the economic and political uncertainty prevailing as at 31st March 2022 and also due to the present regime of high interest rates which would have an adverse impact on the borrowers' ability to service debt.

Due to limitations in the use of traditional promotional channels, the Company focused on usage of digital marketing and social media platforms to engage with customers during the year. The company's vehicle classifieds advertising web platforms careka.lk and takeka.lk in particular became popular among customers to increase the saleability of their vehicles.

The Company has also developed an extensive database of vehicles available for purchase at our own vehicle yard locations as well as external sources such as vehicle dealers and individuals. The "Park & Go" vehicle sales outlets allows customers to sell vehicles through our outlets whilst facilitating more inquiries through our websites. At these locations the Company assists the customer in facilitating a sale or lease of their vehicle.

During the year the sales team and vehicle hire team worked together to combine their networking efforts and widen the customer database further in order to increase new business introduction to the company. New emerging business sectors have been identified and sales plans have been developed to increase the business volumes from these sectors in the coming year.



This further strengthened the trust and confidence in the Company, and the outcome of this customer centric approach was that CF was successfully able to sustain its fixed deposit base at a consistent retention ratio.



SAVINGS AND DEPOSITS

After a subdued first half of the year under review, it became increasingly evident that the economy would be experiencing many shocks including higher interest rates. As a result, the Company determined its focus would be on managing a stable deposit base whilst optimising on the costs. Also, the Company was able to retain its savings customers as this is a segment the Company is focused on growing. In addition, the Company consciously focussed on maintaining a stable and cost effective deposit mix by reducing dependency on short term deposits.

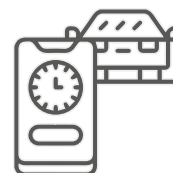
Another key endeavour was to continue servicing customer needs without interruption and to facilitate customers to access deposits as needed, even during lockdowns. On occasions when branch locations were closed, CF staff were

able to stay connected with customers to address their needs and monthly interest due to customers was paid in advance so that customers could obtain their funds through alternate locations or the ATMs. This further strengthened the trust and confidence in the Company, and the outcome of this customer centric approach was that CF was successfully able to sustain its fixed deposit base at a consistent retention ratio.

CF depositors could also complete their transactions via the CF Click Mobile App from the safety of their homes during the pandemic. There was a rapid uptake of the app during the year recording a total of 21,681 registered users as of the year end. The app will be enhanced further in the future to facilitate CF's other products and services onto one platform.

The Company also plans to expand the issuance of ATM cards for savings account holders so that they can access their funds through the ATM network in Sri Lanka or even whilst overseas.

By leveraging on technology backed services to offer the entire spectrum of financial services on a digital platform, the Company is dedicated to offering greater ease of access, speed of transactions and peace of mind to customers.



VEHICLE HIRE

The vehicle hire business recorded an improvement in performance in 2021/22. The Company remained focused on hire of pre-owned vehicles as brand new vehicles were unavailable in the market due to the vehicle import ban.

One of the key strategies adopted during the year was to reach out to all past and present customers and provide customised solutions to address their needs. The Company managed to secure a significant volume of fleet renewals as well.

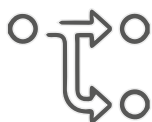
Management Discussion and Analysis

Another key strategy was to strengthen the Company's supply chain for sourcing and supplying vehicles to customers. Internal and external information sources were quickly collated and a database established to identify vehicles available in the market in order to provide the customers with a fast service.

A challenge faced during the year was sourcing of vehicle spare parts and accessories required to support the maintenance of the hiring fleet, as well as managing the escalating costs of maintenance. As a result the Company is exploring ways to improve procurement efficiencies and developing a wider supplier base for spare parts and accessories in order to manage operational costs effectively.

Budget Hire, a daily car rental operation, recorded an outstanding year with an increased demand for daily hire of vehicles, due to many customers having sold their personal vehicles and being in need of alternate modes of transportation.

Currently under development are some digital innovations which will further serve to facilitate vehicle hire customers by offering easy access to a range of services such as booking services, accident management and vehicle tracking.



BRANCH OPERATIONS

The Company's branch network forms an integral part of its profit generation value chain. However, considering the weakening market and economic



Positioning Central Finance as one of the most technology backed financial services providers in support of its ambitious growth plans, the Company has plans in the pipeline to launch a digital wallet, which will enable users to make all conceivable payments such as CEFT transfers, Just Pay, Lanka QR, credit card settlements and utility bill payments online.



conditions, branch expansions were not undertaken during the year. Instead, focus was placed on deriving value through a profit based approach amongst existing branches. Branch managers were tasked with managing operational costs and growing business volumes while controlling impairment and NPLs.

During the year, options of reducing branch premises rental costs were pursued and a reduction in costs were achieved. Moreover, security services cost was effectively managed by adopting alternative monitoring solutions

with the introduction of CCTV. The use of online CCTV operations for all locations has significantly strengthened the security operations of the Company.

During the pandemic, a business continuity plan was implemented across the branch network to ensure branch operation could continue without any interruption. One of the reasons why the Company was able to provide uninterrupted service to its customers was the professional and planned manner in which the Company addressed the business continuity requirements during COVID-19.

A COVID task force was established to exclusively monitor the pandemic situation evolving in the country, assist employees who tested positive and to adopt measures to minimise the risk to other employees and customers. This process was continued through the financial year 2021/22 as well.

Duties were reallocated amongst branch administration staff in a manner that allowed the Regional Managers of the Company to focus on achieving the performance goals of the Company such as meeting profitability targets and reduction of NPLs and impairment. As a result of these measures, most branches in the network exceeded expectations and reported favourable profits at year end.



RECOVERIES

Overall the Company performed well in terms of recoveries despite challenges faced due to multiple lockdowns from April to September 2021.

Considering the gathering economic indications from the time of the outbreak of the pandemic and the subsequent macroeconomic crisis in the year under review, the impact on NPLs and impairments it seemed would be potentially crippling for the banking and financial services sector. Keeping this in mind, CF identified recoveries as a strategic priority in 2021/22. A cross functional team including

senior management and the branch, IT and financial teams brainstormed and developed recovery strategies for the year. The recovery operation was monitored daily by the team and many IT system based monitoring tools were developed to further improve the efficiency of the process.

During the year CF reached out to clients in difficulty and offered customized payment plans to ease their debt service burden. This initiative proved to be beneficial for both parties, also resulting in the generation of considerable goodwill.

As a result of all of these initiatives the Company has been successful in recording significant reductions in NPLs and impairments charges as at year end.



INFORMATION TECHNOLOGY

Central Finance has been steadily upgrading its IT infrastructure over the past few years but in the year 2021/22 this process was accelerated in a bid to consolidate the Company's IT infrastructure and to achieve integration of all functions for better scalability, easy accessibility and enhanced efficiency. Servers, software, network devices and infrastructure security were upgraded in line with the latest technology that fulfills the Company's IT requirements.

During the period under review CF Click, the services mobile app was enhanced to offer trilingual support in English, Sinhala and Tamil.

The strategic payment switch integration project was also completed successfully during the year and third party payment channels of Sampath Bank and Commercial Bank were integrated onto the payment platform. As a result, Central Finance customers are able to use Sampath Bank or Commercial Bank Cash Deposit Machines to settle their lease payments for greater convenience.

In order to support the recovery effort of the Company, "Branchless Banking" was enabled to facilitate field collections, allowing staff to follow up and collect payments in a timely manner.

Committed to upgrading IT infrastructure on a regular basis, during the year the existing Oracle traditional business intelligence system was migrated to the Oracle advanced analytics server, which offers an advanced enterprise analytics platform with self-service features and machine learning capabilities. This upgrade will help enhance the Company's MIS system further.

In order to enhance IT security an endpoint protection system was also implemented that has the capability to detect and respond to threats while managing threat hunting and threat intelligence automation. This software runs across Central Finance systems providing end-to-end encryption and prevention of any type of sophisticated attack.

Yet another tool introduced during the year is SSO or Single Sign On (SSO) and multi factor authentication. SSO is an authentication scheme that allows the users to login with a single user ID and is flexible. This feature significantly increases customer confidence about data privacy.

Management Discussion and Analysis

Moreover, patch management and asset management systems were infused into the system in the year under review to effectively manage and maintain assets spread across the company and for automated software deployment and delivering enhanced security.

Positioning Central Finance as one of the most technology backed financial services providers in support of its ambitious growth plans, the Company has plans in the pipeline to launch a digital wallet, which will enable users to make all conceivable payments such as CEFT transfers, Just Pay, Lanka QR, credit card settlements and utility bill payments online.

The IT team is also focused on enhancing internal efficiencies and will be implementing developments such as establishing cloud based payroll, workflow automation using robotic process automation and artificial intelligence, automation of IT services with the use of dashboard for better IT compliance and use of software that will enable to improve cloud access to system platforms at branch locations.

Keeping pace with these technologies, Central Finance aims to enable information security training for staff via the e-learning system.

In recent times the Central Bank of Sri Lanka has issued multiple regulatory directions to the financial services sector and in order to achieve these regulations, dedicated software will be installed to manage all these compliance directives automatically on the cloud, for easier monitoring. The data center revamping alongside will fulfill the Central Bank's directive for advanced security features.

Alongside acquiring new software, the Company is also replacing legacy systems with upgraded versions. Aligned with this, a 100% disaster recovery site will be operational in Kandy in 2022/23 with minimum response and recovery times.

Keeping pace with these technologies, Central Finance aims to enable information security training for staff via the e-learning system.

The objective of the IT investments is to improve overall security infrastructure of the Company and migrate all services to cloud to the extent permitted by the Central Bank of Sri Lanka, reflecting modern systems which will enable Central Finance to use predictive analysis and artificial intelligence to increase the performance of the Company.

Financial Review



CF continued to maintain a strong liquidity position throughout the year, backed by a combination of investments in reverse repos, treasury bills, fixed deposits, savings and current account balances and cash in hand. The Company's total liquid assets rose to Rs.20.96 Billion by end of March 2022, well above the required level of Rs.4.97 Billion.



INDUSTRY OVERVIEW

The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector improved substantially in terms of credit growth and profitability in 2021. Despite some institutions facing challenges at an individual level, overall the sector remained stable, maintaining the regulatory requirements well above the required minimum threshold.

In order to avoid deterioration of the financial position of LFCs and to maintain stability of the sector, the Central Bank of Sri Lanka introduced several regulatory measures during the year, along with the implementation of the Financial Sector Consolidation Master Plan. With the objective of safeguarding customers, relief measures were introduced to support businesses and individuals affected by the COVID-19 pandemic.

The total assets of the sector stood at Rs.1,487.7 Billion by end December 2021, representing 5.6% of the assets of the country's financial system. Sector growth was mainly driven by the growth in the loans and advances portfolio which

constitutes 76.8% of the total assets of the sector. The loans portfolio of the sector is highly concentrated on finance leases which represent 48.3% of the portfolio.

The leasing portfolio declined mainly due to the restrictions imposed by the government on the importation of motor vehicles as a measure to restrict foreign currency outflows. However, the loans and advances provided by LFCs and SLCs increased by 9.9% to Rs.1,142.5 Billion in 2021 compared to the contraction of 5.7% in the previous year, mainly due to the growth in secured lending and pawning advances.

The investment portfolio reported a marginal growth of 5.4% compared to the previous year, reaching Rs.167.7 Billion during the year 2021. The investment portfolio of the sector comprises investments in equities, corporate debt instruments, government securities and investment properties. Other assets, which comprise of cash and balances with banks and other financial institutions, declined by 12.4% in 2021 while the investments in government securities maturing in less than 12 months improved significantly.

In terms of the liabilities of the sector, customer deposits continued to be the largest contributor, accounting for a share of 52.7% of the total liabilities. The total deposits of the sector increased by 4.6%, reaching Rs.783.3 Billion, while the borrowings of the sector slightly declined by 0.6% to Rs.325.9 Billion by end 2021.

The net interest income of the sector increased by 18.2% when compared to the previous year, to reach Rs 131.4 Billion. This was due to the pronounced decline in interest expense by 27.1% despite the decline in interest income by 5%. The net interest margin of the sector increased to 8.6% in 2021 from the 7.3% recorded in the previous year.

Non-interest income and expenses for 2021 reflected an increase of 54.5% and 11.1% respectively when compared to 2020. Non-interest expenses increased mainly due to the increases in salaries, wages, other employee benefits and administrative expenses.

The loan loss provisions made against NPLs during the year declined by Rs.27.1 Billion as a result of improved collections. The sector posted a Profit after tax of Rs.55.6 Billion in 2021, a remarkable

Financial Review

increase of 307.1% compared to 2020. This was mostly due to the significant increase in non-interest income by Rs.17.5 Billion, which includes gains from trading or investment securities, service charges and default charges. The Return on Equity (ROE) and the Return on Assets (ROA) of the sector increased to 20.2% and 5.4% respectively during the year under review.

The sector remained stable with capital and liquidity maintained at satisfactory levels above the minimum regulatory requirements, and total capital base improving to Rs 251.6 Billion by end of December 2021. The sector core capital and total risk-weighted capital ratios increased to 15.5% and 17.0% respectively by end December 2021 from the reported levels of 14.5% and 15.7% as at end December 2020. The sector's regulatory liquid assets amounted to Rs. 155.9 Billion by end December 2021 against the stipulated minimum requirement of Rs. 89.9 Billion. The liquid asset ratio against deposits and borrowing increased to 14.1% by end December 2021.

Asset quality of the sector showed an improvement in the year 2021, with a decline of Gross NPL ratio to 11% from its reported ratio of 13.9% in 2020. The Net NPL ratio also reduced to 2.7% by the end of 2021 from 4.2% reported in the previous year. Though the underlying credit risk of the sector remains manageable, the sector NPL ratios still continue to be high.

COMPANY PERFORMANCE

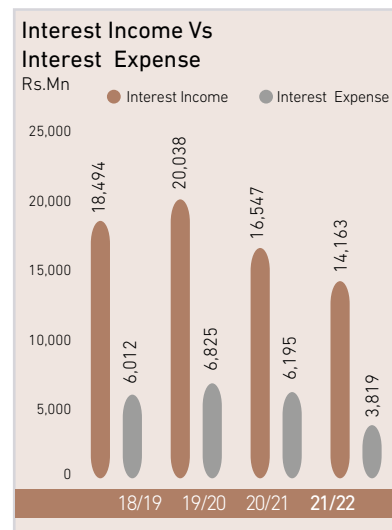
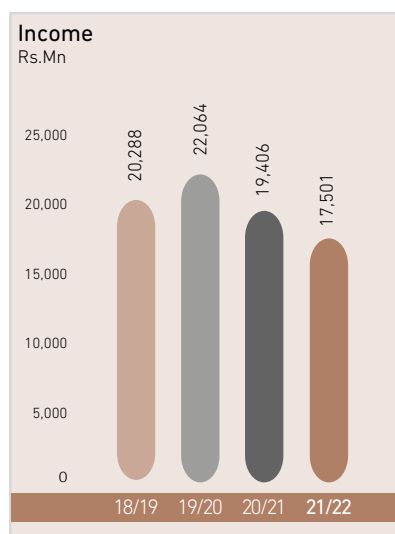
INCOME

CF recorded an income of Rs.17.5 Billion for the year under review. This was a 9.82% decline compared to the previous year's reported income. The slowdown in economic activities in the country

due to the COVID-19 outbreak, tighter underwriting criteria and the socio-economic stress resulted in a contraction of the credit portfolio which together with a significant decrease in gains from the trading portfolio were the main reasons for the decline in income. Impacted by the slowdown in economic activities and selective lending, along with the low interest rate environment prevailing in the country, both interest income and interest expenses declined by 14.40% and 38.35% respectively, during the year under review.

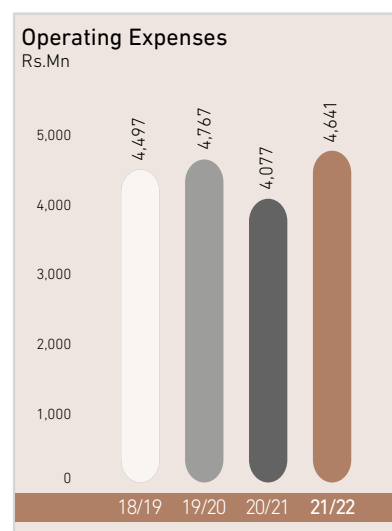
The trading portfolio gains declined by 41.81% due to shifting of money market investments to government treasury bills, repurchase agreements and debt securities with banks and financial institutions, in order to gain on higher yield rates. Quoted equity securities fair values were adversely impacted due to fluctuations in the stock market.

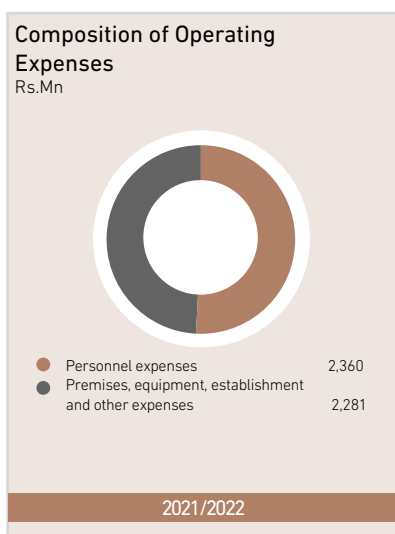
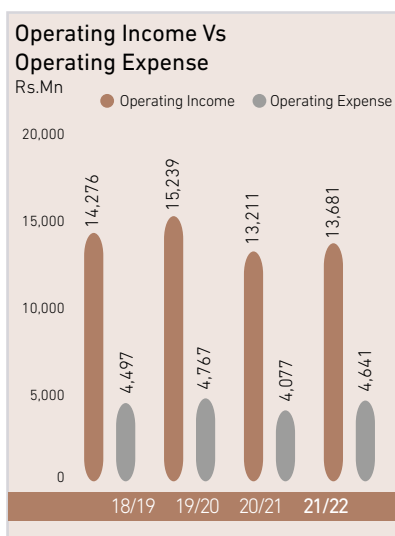
The collection strategy initiated for recovery of bad debts, dividend income from associates and divestment of Mark Marine Services (Pvt) Ltd contributed to a significant increase in other income by 107.24% compared to prior year.



OPERATING EXPENSES

The operating expenses of the company rose to Rs.4.64 Billion, showing an increase of 13.83% compared to the previous year. This was mainly due to the increase in personnel expenses during the year under review.





COST TO INCOME

The Cost to Income ratio stood at 33.92% in the year under review, an increase of 3.06% over the previous year, the main contributor to this being the increase in operating expenses by 13.83%.

LOAN BOOK

The company's loan book mainly comprised of leases, term loans and loans against fixed deposits. In the current financial year, the Company's loan book declined by 9.13%, with the total loan portfolio standing at Rs.58.63 Billion as at 31st March 2022. This reduction was mainly due to weak credit demand as a result of policy measures taken by the government to curtail importation of motor vehicles and the lack of economic activity due to continuous COVID-19 induced lockdowns, tighter underwriting criteria and socio-economic stress in the country during the latter part of the year.

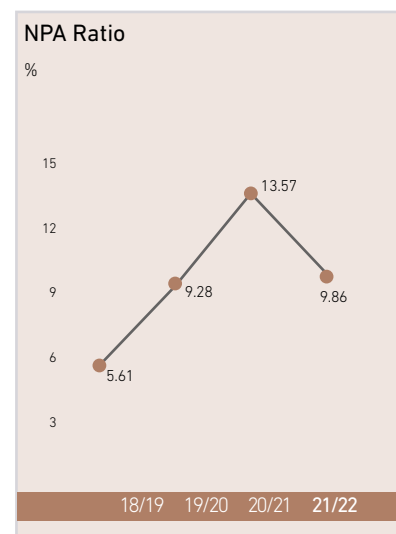
ASSET QUALITY AND IMPAIRMENT

CF's Gross Non-Performing Advances (NPA) ratio improved to 9.86% - showing a significant decline of 27.34% compared to 13.57% in the previous year. This is a clear reflection of the intensive efforts taken by the company to improve the credit quality of its asset base through timely strategic initiatives. The industry NPA ratio stood at 11.00% as of the end December 2021.

The Company's impairment charge stood at Rs.273.09 Million at financial year-end, reporting a significant decline of 91.61% compared to the year 2020/21, mainly due to the improvement in assets quality, revival of economic activities and continuous engagement with customers to enable the repayment of debts in a sustainable manner.

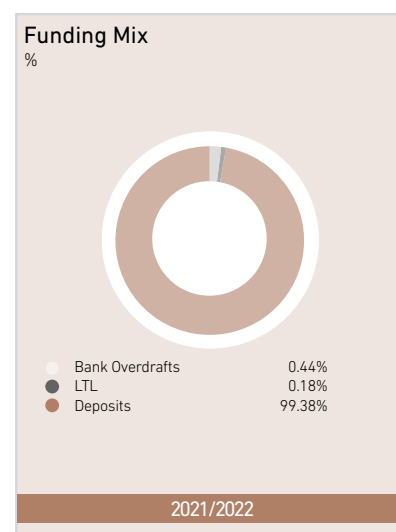
The Company continued to build management overlays for potential losses in the credit portfolio in light of the macroeconomic uncertainty and COVID-19, through various scenario based assessments to account for expected delinquencies. The Company has used the quantitative and qualitative macro-economic factors with scenario

weightages to capture the significant volatility and deterioration in exchange rates, interest rates, inflation rates and GDP growth rates in assessing expected credit loss as of year-end.



FUNDING MIX

The Company's funding mix consisted of bank overdrafts, bank loans and customer deposits. Deposits remained the main funding source representing 99.38% of the total funding mix. CF's total deposit base as at 31st March 2022 stood at Rs.49.02 Billion.





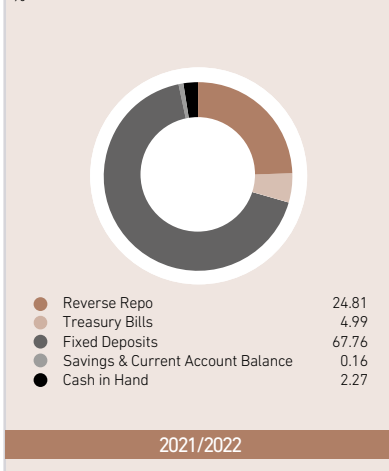
The Company's Risk Weighted Total Capital Ratio and Core Capital Ratio for the year in review was 44.89% and 44.32% against the regulatory requirements of 12% and 8% respectively.



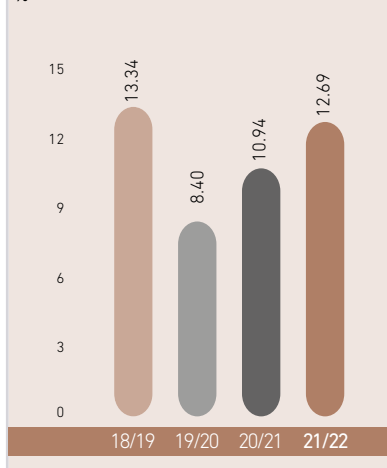
LIQUIDITY

CF continued to maintain a strong liquidity position throughout the year, backed by a combination of investments in reverse repos, treasury bills, fixed deposits, savings and current account balances and cash in hand. The Company's total liquid assets rose to Rs.20.96 Billion by end of March 2022, well above the required level of Rs.4.97 Billion. Apart from these regulatory liquid assets, the Company also maintained Rs.6.45 Billion in other short term and long term instruments such as open-ended unit trust funds, commercial papers, securitizations and debentures.

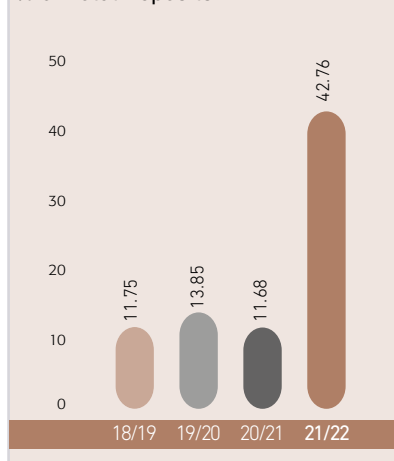
Liquid Assets 2021/2022
%



ROE
%



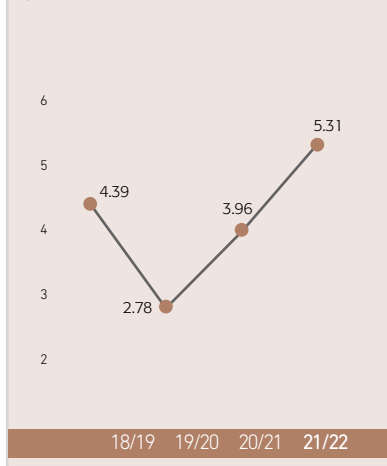
Liquid Assets as a
% of Total Deposits



RETURN ON EQUITY AND RETURN ON ASSETS

Amidst the challenging business operating environment, the Company recorded an improved ROE and ROA ratio at 12.69% and 5.31% respectively as at 31st March 2022 compared to the previous year's reported ratios of 10.94% and 3.96% respectively.

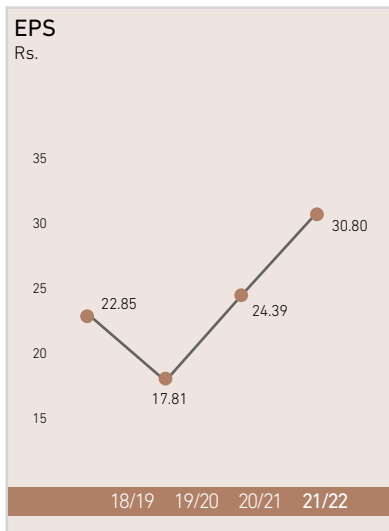
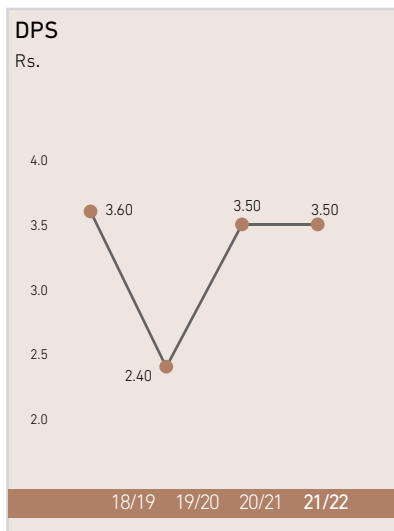
ROA
%



SHAREHOLDERS' FUNDS

Shareholders' funds increased by 11.55% and 11.30% year on year at the Group and Company level, to reach Rs.55.84 Billion and Rs.44.47 Billion respectively, as at 31st March 2022. The Company had a total of 4,382 public shareholders as at 31st March 2022. Its shares traded on the Colombo Stock Exchange during the year, recording the highest and lowest market prices of Rs.118/- and Rs.65/- respectively. The Net Asset Value (NAV) per share was Rs.195.58 in the year under review as against Rs.175.72 in the previous year. Earnings per Share (EPS) increased to Rs.30.80 as against Rs.24.39 recorded last year.

The Company paid an interim cash dividend of Rs. 1.50 per share and an additional Rs. 2.00 cash dividend per share has been proposed by the Company for the approval of shareholders at the Annual General Meeting.

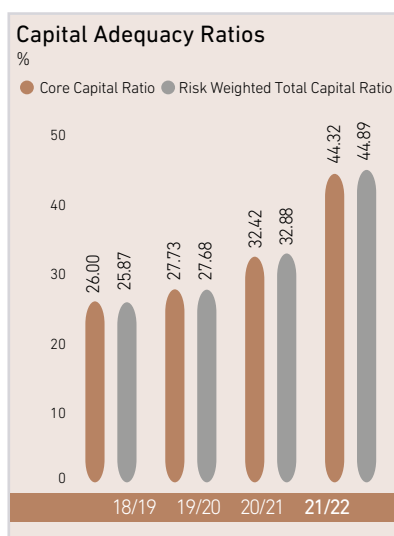


FUTURE OUTLOOK

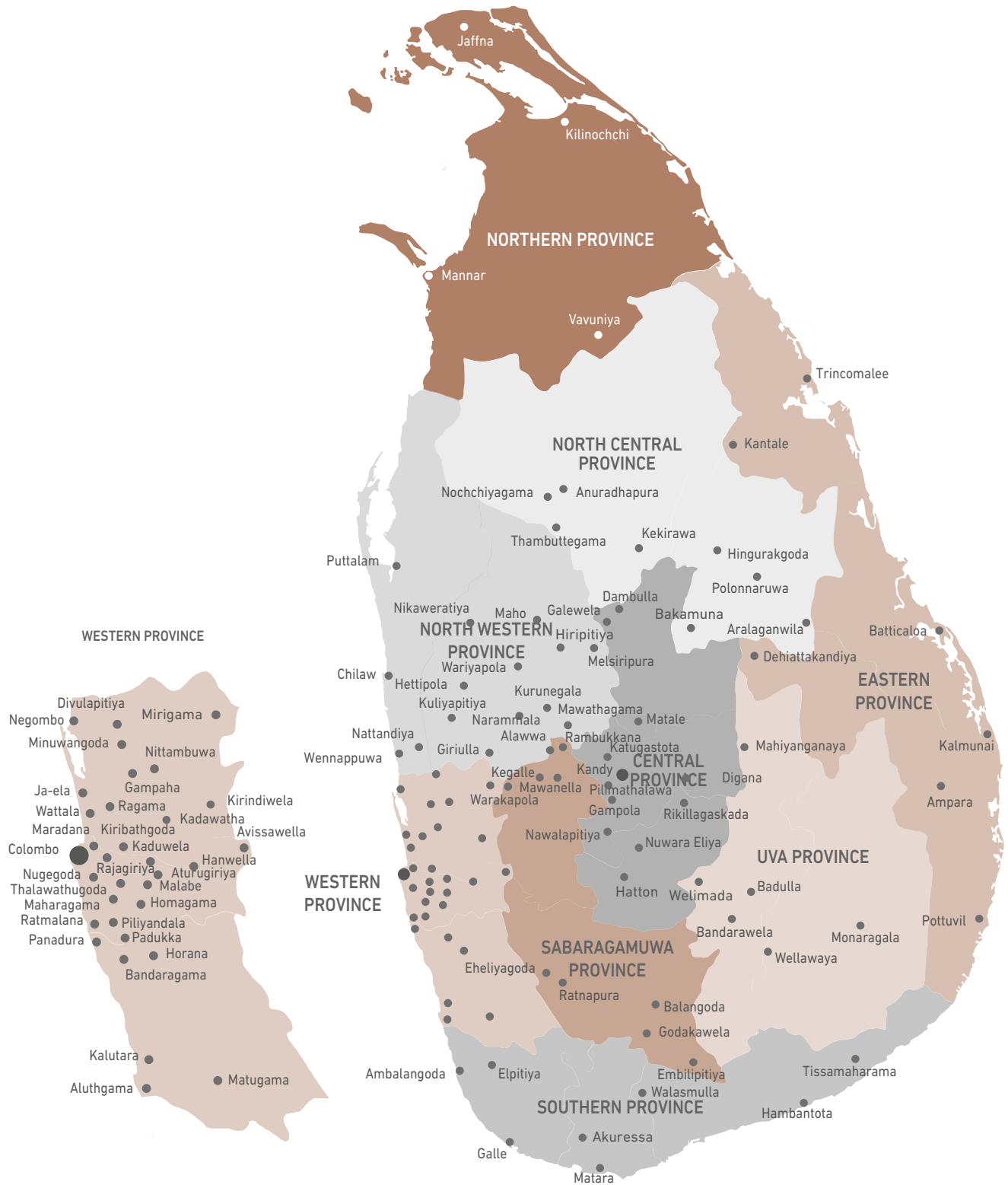
There is no doubt that the country is currently experiencing one of the most challenging periods in its history due to political and economic uncertainties. Maintaining stability and growth momentum while meeting shareholder and other stakeholder expectations has become a definite challenge for the financial services sector. As a responsible corporate citizen, Central Finance Company PLC is determined to face these unprecedented times with an optimistic outlook as it has the ability and flexibility to adapt to the changing conditions and continue its support for the economic development of the country while achieving its organizational goals.

CAPITAL ADEQUACY

In terms of Capital Adequacy, CF remained well above the regulatory minimum requirements and the industry average, throughout the year. The Company's Risk Weighted Total Capital Ratio and Core Capital Ratio for the year in review was 44.89% and 44.32% against the regulatory requirements of 12% and 8% respectively.



Branch Network



KANDY - Head Office	COLOMBO - City Office	KATUGASTOTA - Showroom
No. 84, Raja Veediya, Kandy, Sri Lanka. Tel : 94-81-2227000 Fax : 94-81-2232047	No. 270, Vauxhall Street, Colombo 02, Sri Lanka. Tel : 94-11-2300555 Fax : 94-11-2300441, 94-11-2541212	No. 254, Katugastota Road, Kandy. Tel : 94-81-2234309, 94-81-2234234-5 Fax : 94-81-2228468

WESTERN PROVINCE - 31		
Aluthgama No. 371/1, Galle Road, Aluthgama Tel: 034-4941220, 034-4941221	Kaduwela No. 180/12/G, Avissawella Road, Hewagama, Kaduwela Tel: 011-4385334, 011-4385335	Negombo No. 367, Main Street, Negombo Tel: 031-222579, 031-4871200, 031-2233456, 031-2235111
Athurugiriya No. 308, Godagama Road, Athurugiriya Tel: 011-2074040, 011-2053082	Kalutara No. 46, Sri Sarananda Mawatha, Kalutara South Tel: 034-2226041, 034-4940068, 034-4940067	Nittambuwa No. 43, Kandy Road, Nittambuwa Tel: 033-2296615, 033-4927106
Avissawella No. 1/79, Ratnapura Road, Avissawella Tel: 036-2232750, 036-2233650, 036-2232950	Kiribathgoda No. 541, New Hunupitiya Road, Dalugama, Kelaniya Tel: 011-4967530, 011-4888301 011-4821442	Nugegoda No. 312, High Level Road, Colombo 06 Tel: 011-2815800, 011-2815801, 011-2815803, 011-2815804
Bandaragama No. 37/A/6, Horana Road, Bandaragama Tel: 038-4933015, 038-4933016	Kirindiwela No. 68, Veyangoda Road, Kirindiwela Tel: 033-4944327 033-4944328	Panadura No. 292, Galle Road, Panadura Tel: 038-4281010, 038-2241533
Divulapitiya No. 96, Colombo Road, Divulapitiya, Tel: 033-4944247, 033-4944246	Maharagama No. 132, High Level Road, Maharagama Tel: 011-4319961, 011-2845855 Tel: 011-2845855, 011-4888482	Piliyandala No. 329/4, Colombo Road, Piliyandala Tel: 011-2609000, 011-4888305, 011-4896844
Gampaha No.259, Colombo Road, Gampaha Tel: 033-2227621, 033-2234132, 033-2225289, 033-4670442	Malabe No. 418, Athurugiriya Road, Malabe Tel : 011-4413916, 011-2760893, 011-4888303	Rajagiriya No. 41, Rajagiriya Road, Rajagiriya Tel : 011-2865161, 011- 2865162
Hanwella No.131/1/B, Pahala Hanwella, Hanwella Tel: 036-2253945, 036-2253966, 036-4925821	Maradana No. 215, Maradana Road, Colombo 10 Tel: 011-2038000, 011-4384020	Ragama No. 63, Mahabage Road, Ragama Tel : 011-4387742, 011- 4387743
Homagama No.138/1, High level Road, Homagama Tel: 011-2892334, 011-4376101	Matugama No.1/17, Neboda Road, Matugama. Tel: 034-2248790, 034-2248795, 034-4942101	Ratmalana No. 259/1/1, Galle Road, Ratmalana Tel: 011-2715617, 011-4323098
Horana No.165, Ratnapura Road, Horana Tel: 034-2265065, 034-2265066, 034-4944128	Minuwangoda No.152 A, Colombo Road, Galloluwa Junction, Minuwangoda. Tel: 011-2294525, 011- 4384228	Thalawatugoda No. 688/A, 688/A/1, Madiwela Road, Thalawatugoda Tel: 011-4387538, 011-4387539 011-22774916
Ja-Ela No.171, Negombo Road, Ja-Ela Tel: 011-2229180, 011-2229181, 011-4335408	Mirigama No. 122, Werellawatta, Giriulla Road, Mirigama Tel: 033-4944198, 033-4944199	Wattala No. 628, Negombo Road, Mabola, Wattala Tel: 011-4345520, 011-2949890, 011-4345521
Padukka 79/1, Horana Road, Padukka. Tel:011-2830923	Kadawatha No. 579, Kandy Road, Eldeniya, Kadawatha Tel: 112901677, 114225130	

Branch Network

EASTERN PROVINCE - 6		
Ampara No. 106, Regal Studio, Pandukabhaya Mawatha, Ampara Tel : 063-4890117, 063-4976000 063-4922678	Dehiattakandiya No. 18E, New Town Complex, Dehiattakandiya Tel : 027-2250189, 027-4923577, 027-4976000	Kantale No. 57, Trincomalee Road, Kantale Tel: 026-2234447, 026-4924295, 026-4976000
Batticaloa No. 570 H, 570 J, 570K, Trincomalee Road, Sinnaurani, Batticaloa. Tel : 065-2227823	Kalmunai No. 263, Batticaloa Road, Kalmunai Tel: 067-2226132, 067-2226133	Trincomalee No. 272, 4th Mile Post, Kandy Road, Trincomalee Tel: 026-2242422, 026-4976001, 026-4925458
Pottuvil No. 230, Arugambay Road, Pottuvil Tel : 063-2248080 , 063-4922923		
NORTHERN PROVINCE - 4		
Jaffna No. 364, Main Street, Jaffna Tel: 021-2221608, 021-2221942	Killinochchi No.426,A 9 Road, Killinochchi. Tel: 021-2280133, 021-2280134, 021-4923870	Mannar No. 45, Thalvupadu Road, Mannar Tel: 023-4920727, 023-4920728
Vavuniya No. 166, Station Road, Vavuniya Tel: 024-2225814, 024-2227192		
SOUTHERN PROVINCE - 8		
Akuressa No. 129 A, Deniyaya Road, Akuressa Tel: 041-4938107, 041-4938108	Galle No. 151A, Matara Road, Galle Tel: 091-2223315, 091-4385676, 0914381184	Tissamaharama No. 173, Hambantota Road, Kachcheriyagama, Tissamaharama Tel: 047-2239145, 047-4932444,
Ambalangoda No. 21B, Wickramasooriya Road, Ambalangoda Tel: 091-2255802, 091-2255799, 091-4977333	Hambantota No. 1/3, New Tangalle Road, Hambantota Tel: 047-2222651, 047-4929743	Walasmulla No. 115A, Beliatta Road, Walasmulla. Tel: 047-2245007
Elpitiya No. 109, Ambalangoda Road, Igala, Elpitiya Tel: 091-4943533, 091-4943534	Matara No. 78, Kumaratunga Mawatha, Matara Tel: 041-2227314, 041-4390477, 041-2222914	
NORTH WESTERN PROVINCE - 15		
Chilaw No. 54, Kurunegala Road, Chilaw Tel: 032-2220636, 032-2221660, 032-4925592	Maho No. 163, Moonamalegama, Maho Tel: 037-4944951, 037-4944952	Puttalam No. 628, Colombo Road, Puttalam Tel: 032-4976004, 032-4976003, 032-2269328
Giriulla No. 137/A, Negombo Road, Giriulla Tel: 037-2289512	Mawatagama 7th Mile Post, Kandy Road, Mawatagama Tel: 037-4947258, 037-4947259	Wariyapola No. 200 "Awasa Watta", Horombuwa Wariyapola Tel : 037-4947240, 037-4947241
Hiripitiya No. 51, Wariyapola Road, Hiripitiya, Nikadalupotha Tel: 037-4945128, 037-4945129	Melsiripura No. 227, Dambulla Road, Melsiripura Tel: 037-2250014, 0374935066 , 037-2250013	Wennappuwa No. 262/A, Chilaw Road, Dummaladeniya East, Wennappuwa Tel: 031-2245260, 031-4929846, 031-4976001
Kuliyapitiya No. 107, Kurunegala Road, Kuliyapitiya Tel: 037-2284553, 037-2283725	Narammala No. 40, Kuliyapitiya Road, Narammala Tel: 037-4947689, 037-4947688	Hettipola No. 242A, Kurunegala Road, Hettipola. Tel: 037-2291428
Kurunegala No. 38, Mihindu Mawatha, Kurunegala Tel: 037-2232313, 037-2222200, 037-2228020	Nikaweratiya No. 200, Puttalam Road, Nikaweratiya Tel: 037-2260871, 037-4935067, 037-4940152	Nattandiya No. 82C, Marawilla Road, Nattandiya. Tel. 032-2250042

NORTH CENTRAL PROVINCE - 8		
Anuradhapura No. 62, Maithreepala Senanayake Mawatha, Anuradhapura Tel: 025-2223560, 025-4930501, 025-4928402, 025-4976000	Hingurakgoda No. 20, Airport Road, Hingurakgoda Tel: 027-2247214, 027- 2245224, 027-4923574, 027- 4976001	Polonnaruwa No. 13, Hospital Junction, Polonnaruwa Tel: 027-4599210, 027-2225176, 027-4976002, 027-4599210
Aralaganwila No. 14/36, Kolongas Junction, Aralaganwila Tel: 027-4924815, 027-4924816	Kekirawa No. 33, Yakalla Road, Kekirawa Tel: 025-4976002, 025-4928868	Thambuttegama No. 146B, Anuradhapura Road, Tambuttegama Tel: 025-2275151, 025-4976001, 025-4930460
Bakamuna No. 11, Elehera Road, Bakamuna Tel: 066-2256000, 066-4929030, 066-4976000	Nochchiyagama No. 25C, Puttalam Road, Nochchiyagama Tel: 025-4929053, 025-4929054	
CENTRAL PROVINCE - 10		
Dambulla No. 25E, Kurunegala Road, Dambulla Tel: 066-2283021, 066-4925374, 066-4976001	Hatton No. 66, Dunbar Road, Hatton Tel: 051-2222760, 051- 4924250	Nuwara Eliya No. 76, Kandy Road, Nuwara eliya Tel: Tel: 052-2235433, 052-2235951
Digana No 40, Palkelele Bazzar, Kengalla Tel: 081-4951144, 081-4951155	Matale No. 622, Trincomalee Street, Matale Tel: 066-2231225, 066-2223005, 066-4927739	Pilimathalawa No.148, Colombo Road, Embilimeegama Pilimathalawa. Tel: 081-4951313, 081-4951717
Galewela No. 334/B, Dambulla Road, Galewela Tel: 066-4929890, 066-4929891	Nawalapitiya No. 125, Ambagamuwa Road, Nawalapitiya Tel: 054-4922792, 054-4976001	Rikillagaskada No. 21, Rathmetiya Road, Rikillagaskada Tel: 081-4945112, 081-4945113
Gampola No. 6B, Nidahas Mawatha, Gampola Tel: 081-4945114, 081-4945115		
SABARAGAMUWA PROVINCE - 10		
Alawwa No. 27, Colombo Road, Wariyagoda, Alawwa Tel: 037-4940886, 037- 4940887	Godakawela No. 65 A, Main Street, Godakawela Tel: 045-4935105, 045-4935106	Rambukkana No. 73, Kurunegala Road, Rambukkana Tel: 035-4935008, 035-493500
Balangoda No. 149 E, Barnes Ratwatta Road, Balangoda Tel: 045-4928326, 045-2289232	Kegalle No. 311G, Colombo Road, Ranwala, Kegalle Tel: 035-2221083, 035-2232956, 035-4927502	Ratnapura No. 143, Colombo Road, Moragahayata, Ratnapura Tel: 045-2231409, 045- 2222028, 045-4360447, 045-4927353
Embilipitiya No.200,Rasika Building, Pallegama, Embilipitiya Tel: 047-2261923, 047-4379332 047-4927806	Mawanella No. 187, Kandy Road, Mawanella. Tel: 035-4930047, 035-4930048	Warakapola No. 211 E & 211 F, Colombo Road, Warakapola Tel: 035-2267010, 035-2268941, 035-4976001, 035-4932382
Eheliyagoda No. 388, Main Street, Eheliyagoda. Tel. 036-2256380		
UVA PROVINCE - 6		
Badulla No. 04, Udayarajah Mawatha, Badulla Tel: 055-2230541, 055- 2229701, 055-4499643	Mahiyanganaya No. 112, Girandurukotte Road, Mahiyanganaya Tel: 055-2258335, 055-4976001 055-4927631	Welimada No. 8/1/A & 8/1/B, Wattegedara, Divithotawela, Welimada Tel: 057-4926923, 057-4926922
Bandarawela No. 03, Thanthiriya, Badulla Road, Bandarawela Tel: 057-2233241, 057-4929004	Moneragala No. 150 A, Wellaway Road, Moneragala Tel: 055-2277374, 055-4927689, 055-2277346	Wellaway No. 208, Monaragala Road, Wellaway Tel: 055-4929301, 055-4929302

Risk Management Report



In 2021/22, we continued to strengthen our approach to risk management amidst continued disruptions from several waves of COVID-19 pandemic and macro-economic uncertainty.



Effective risk management is fundamental to being able to generate sustainable profits and is thus an important aspect of the financial and operational management of Central Finance. We are well positioned to identify and adopt new initiatives, while remaining vigilant for any new threats that may arise and improvements needed. The level of risk across our business and uncertainties we face are key areas of focus for the Board. Financial strength and resilience are at the heart of our strategic intent. We are committed to achieving the highest standards of corporate governance in every aspect of the business, including risk management. In discharging the governance responsibility, the Board of Central Finance is conscious of the need to manage risk within the preset parameters, which ensures that risk oversight is a critical focus.

The overall adequacy and effectiveness of the risk management framework is managed through the Integrated Risk Management Committee (IRMC), the Board Audit Committee (BAC), which comprises solely of Non-executive Directors and the Assets and Liabilities Management Committee (ALCO) which comprises of the Executive Directors and senior level staff members in charge of key business functions. Acting within the authority delegated by the Board, these committees review specific risk areas and receive regular reports on internal controls, risk management, portfolio trends, policies, limits and standards.

We focus on setting clear risk parameters and embedding a strong culture of risk management and control designed to ensure proactive identification of risks which in turn will enable the company to be resilient and respond effectively to any unforeseen shocks. We continue to build on the company's culture of risk management discipline. Our risk management framework is designed for the continuous monitoring of the environment and an integrated evaluation of risks and their impact to CF. A formal governance structure, with a clear, well designed framework of risk ownership, standards and policies is in place.

Our statement of financial position is dominated by credit to customers through our lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as liquidity risks, market risk which includes interest rate risk, operational, strategic and other risks which are inherent in our business strategy, product range and geographical coverage. In 2021/22, we continued to strengthen our approach to risk management amidst continued disruptions from several waves of COVID-19 pandemic and macro-economic uncertainty. We witnessed an increase in economic activity in the second half of the financial year and responded to changing market conditions through conscious lending decisions at a slightly higher pricing to minimise the interest rate risk arising from the interest rate volatility. Company adopted a conservative approach to loan to value ratios and lent to selected segments of customers.

Our Risk Governance Structure

Committee	Board Audit Committee	Integrated Risk Management Committee	Assets and Liabilities Management Committee
Role	The Audit Committee reviews the accounting policies and practices, controls and procedures established by management for compliance with regulatory and financial reporting requirements. It operates under delegated authority from the Board.	The Integrated Risk Management Committee operates primarily as an oversight committee monitoring risk types, concentrating particularly on Credit, Market, Operational, Strategic and Reputational risks and related issues.	The Assets and Liabilities Management Committee is responsible for identifying, managing and controlling risks in executing the business strategy of CF.
Membership	Solely comprised of Non-executive Directors, the majority of them being Independent. Details of the members are given in the Audit Committee Report on pages 104 to 106.	Comprised of Non-executive and Executive Directors and senior level staff, who oversee key business functions. The committee is chaired by a Non-executive Director. Details of the members are given in the Integrated Risk Management Committee Report on Page 103.	Comprised of Executive Directors and senior level staff who oversee of Strategy, Branch Network Management, Credit, Recoveries, Marketing, Finance, Treasury and IT.

RISK MANAGEMENT FRAMEWORK

Roles and responsibilities for risk management are structured within a three lines of defence model. Each line of defence describes a specific set of responsibilities for risk management and control. Our risk management framework, which is set out in the grid below encompasses structures that are strategically linked with performance management, enabling us to focus on the areas that drive our risk strategy.



CREDIT RISK

Credit risk could cause a financial loss to the Company as a result of counterparties to a financial instrument failing to discharge their obligations. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined hierarchy of delegated approval supported by high ethical standards and well established policies and procedures provide a robust framework for the management of credit risk. There is a clear segregation of duties between transaction originators in the business units and approvers in the credit function. All credit exposure limits are approved within a delegated credit approval authority framework. Risk indicators are also set by the company and monitored through the ALCO, BoM and IRMC on a monthly and quarterly basis.

CREDIT POLICIES

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

CREDIT APPROVAL

Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the Credit Committee and the designated officers under the delegated approving limits set by the Board, with input from BoM. The credit approving limits in place are structured based on the need of delegation required to manage the network of branches, without compromising the risk appetite of the company.

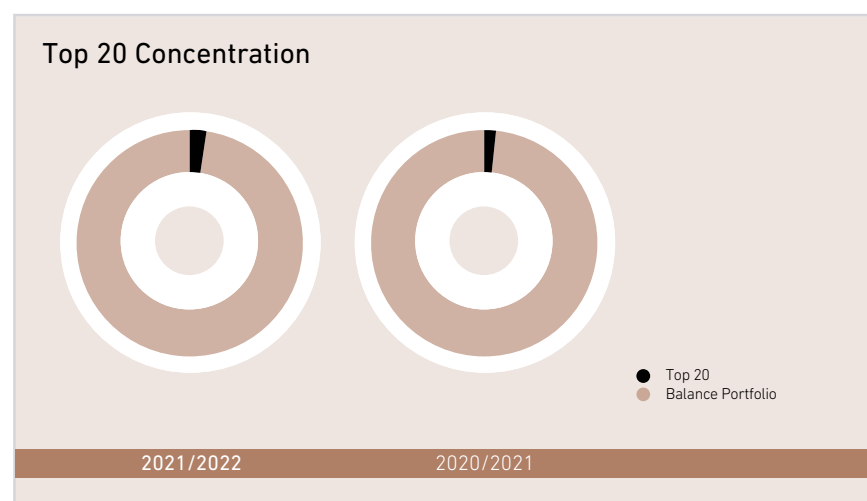
CREDIT CONCENTRATION

The risk of loss due to the concentration of credit to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set for counterparty or groups of connected counterparties, asset type and industry sectors. Credit concentrations are monitored by IRMC and ALCO in each of the product type categories and such limits as material to the company are reviewed accordingly. Diversification is an important aspect of our management of risk to ensure that we are not overly dependent upon a particular region or asset type. The IRMC reviews the top 20 lending exposures at the quarterly meetings. Performance of large lending exposures too is reviewed periodically.

Risk Management Report

TOP 20 CONCENTRATION OF THE LENDING PORTFOLIO

Amount as at	Group			
	31.03.2022		31.03.2021	
	(Rs.'000)	%	(Rs.'000)	%
Top 20	2,490,336	3.85%	2,100,117	2.96%
Balance Portfolio	62,120,100	96.15%	68,735,405	97.04%
Total Portfolio (Gross Carrying Amount)	64,610,436	100%	70,835,522	100%



GEOGRAPHICAL ANALYSIS OF THE LENDING PORTFOLIO

Amount as at	Group			
	31.03.2022		31.03.2021	
	(Rs.'000)	%	(Rs.'000)	%
Province				
Western	23,640,348	40.32%	26,555,642	41.16%
Central	8,617,414	14.70%	9,178,862	14.23%
North Western	7,491,864	12.78%	7,982,120	12.37%
Sabaragamuwa	5,299,652	9.04%	5,582,698	8.65%
Southern	4,107,254	7.01%	4,860,377	7.53%
North Central	3,464,723	5.91%	3,667,465	5.68%
Uva	2,850,159	4.86%	3,302,355	5.12%
Eastern	2,048,812	3.49%	2,231,331	3.46%
Northern	1,106,032	1.89%	1,153,686	1.79%
Total	58,626,258	100%	64,514,535	100%

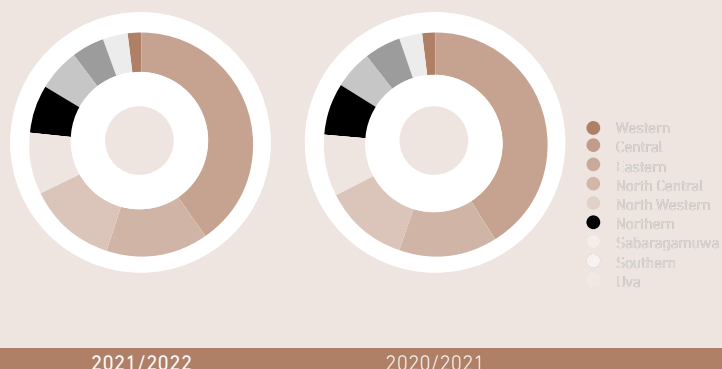
CREDIT MONITORING AND MEASUREMENT

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

- Probability of default (PD) – the likelihood of a borrower not being able to honour his obligations.
- Exposure at default (EAD) – the exposure to a borrower who is unable to honour his obligations, at the point of default.
- Loss given default (LGD) – the historical loss associated with a delinquent loan or defaulted borrower

In addition to the above three elements, the company also uses forward looking information including macro-economic information to arrive at the expected credit losses. SLFRS- 9 proposes that significant increase in credit risk is presumed to have occurred when contractual payments are more than 30 days past due and default is presumed at 90 days past due. For leases and other loans we have rebutted the significant increase in credit risk presumption to 60 days and default presumption to 120

Geographical Analysis of the Lending Portfolio



days to align these parameters to the internal risk management practices of the company. For term and business loans the company has adopted 30 days past due as the point in which significant increase in credit risk occurs and 90 days as the point in which default occurs in line with the internal risk management practices of the company. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, usually at the point of default or individually assessed as impaired.

SECTOR-WISE CONCENTRATION OF THE LENDING PORTFOLIO

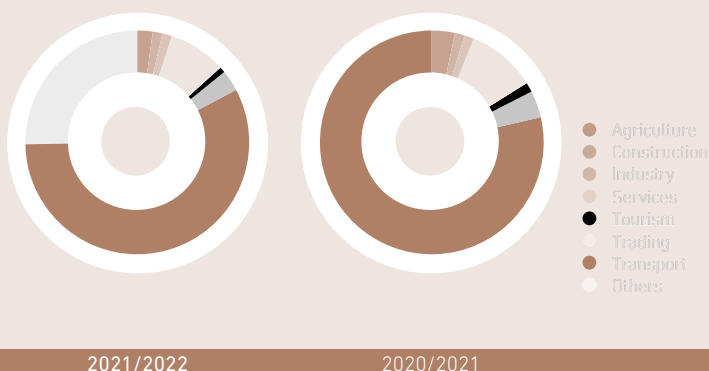
Amount as at	Group		Group	
	31.03.2022		31.03.2021	
	(Rs.'000)	%	(Rs.'000)	%
Sector				
Agriculture	1,385,595	2.36%	1,827,236	2.83%
Construction	760,760	1.30%	846,712	1.31%
Industry	881,524	1.50%	762,367	1.18%
Services	4,799,102	8.18%	5,474,560	8.49%
Tourism	491,435	0.84%	724,155	1.12%
Trading	1,863,173	3.18%	2,088,258	3.24%
Transport	33,750,543	57.57%	43,039,281	66.71%
Others	14,694,127	25.07%	9,751,965	15.12%
Total	58,626,258	100.00%	64,514,535	100%

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, financial difficulty and other factors not related to a current or potential credit deterioration of the customer. If the modification is indicative of a qualitative indicator of a significant increase in credit risk, the credit portfolios are downgraded in risk category and customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be significant increase in credit risk or credit-impaired.

The company groups the individually significant loans into two broad categories as to "Individual" and "Institutional" and the following factors were considered in determining the impairment of those assets;

- Loan servicing history of the borrower
- Financial standing of the borrower
- Borrower's compliance with Legal and Regulatory requirements
- Other general economic conditions affecting the borrower's repayment ability

Sector-wise concentration of the Lending Portfolio



Risk Management Report

Individually not significant leases and loans are grouped based on the collateral type as this grouping better represents the shared credit risks.

The methodology adopted was used consistently at each reporting date.

The impairment charge represented a significant decrease compared to the prior year. The implementation of island wide lockdowns and travel restrictions to control the COVID 19 virus spread and subdued economic conditions throughout the year resulted in a significant impairment charge for the financial year ended 31 March 2021. Subsequent to the easing of travel restrictions and revival of economic activities, a decrease in overall impairment charge was noted in line with strategic initiatives to continuously engage with the customers and provide flexible repayment solutions to service the debts in a sustainable manner resulting in better recoveries.

During the year under review, Company improved its asset quality and year-end NPL ratio was recorded at 9.86% as against the industry average of 11% as of December 2021.

The Company re-evaluated the impairment provision taking into consideration the potential losses in credit portfolios due to significant deterioration and uncertainty in the macro-economic indicators. The Company stress tested on various scenario based assessments to assess potential loss from the customer credit due to changes in the macro economic factors such as the significant volatility in exchange rates, interest rates, inflation and GDP growth rates. Due to lack of historical data to evaluate the current economic conditions, the Company continued to build management overlays for potential impairment arising from the loans and lease portfolios, outside the Expected Credit Loss model to ensure adequate provision for impairment is recognized in the financial statements as of 31 March 2022.

COLLATERALS

Most of our lending activities are secured by tangible assets with the majority being motor vehicles and equipment. Hence, the company has a fall back in the event of default. Collaterals obtained are supported by enforceable documentation. The main types of collaterals obtained are vehicles, equipment, properties, machinery, treasury bills and bonds, deposits, trade receivables and Corporate and Personal Guarantees. The company does not hold any collateral where it is permitted to sell or re-pledge the

collateral in the absence of default by the owner of the collateral. There have not been any changes to the quality of collaterals obtained due to change in the policy of collaterals. We have not assessed impairment on treasury bills and securities bought under repurchase agreements due to the fact these are secured by government securities.

MARKET RISK

The risk of loss arising from potential adverse changes in the value of the company's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations. The objective of our market risk management is to obtain the best balance of risk and return whilst meeting customer requirements. The key challenges in terms of market risk for CF are interest rate risk arising from changes in yield curves and significant volatility in the market interest rates and credit spreads and to a lesser extent, changes in equity prices.

ORGANISATION AND STRUCTURE

The Board approves the appetite for market risks and the framework of limits applicable for same. The company has a strong control environment facilitated by a well-structured organisation which has enabled it to strengthen segregation of duties in respect of critical functions.

- Interest rate risk: arising from changes in yield curves and credit spreads
- Equity price risk: arising from changes in the prices of equities and equity indices

Market risk arising from interest rate volatility is managed with direction from the IRMC and ALCO which continuously monitor the cost of funds of the company and initiate necessary action to ensure that required margins are maintained by the company. The carrying value of all financial assets and liabilities are in Sri Lankan Rupees and the company did not have any foreign currency denominated assets and liabilities as at 31st March 2021 and 2022.

EQUITY PRICE RISK

Company is exposed to market movements in equity price fluctuations through the quoted Fair Value through Profit or Loss Investments portfolio and FVTPL financial assets. The IRMC and ALCO continually review the relevant exposure limits.

A comprehensive evaluation process is also carried out prior to investment decisions. Regular monitoring of price levels is done through the Investment function to mitigate adverse movements in the stock market.

OPERATIONAL RISK

The risks of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events comprise operational risks. We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. The Board appointed Audit Committee and Integrated Risk Management Committee oversee the management of operational risks including those arising from information technology and legal issues, across the network and at the center, with the support of the Risk and Internal Audit Departments which are independent from the business functions. In addition, the Audit Committee also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with assurance that operational risks are being proactively identified and effectively managed. All business units are responsible for setting and maintaining standards for operational risk management. Possible losses to the company's assets due to unforeseen events have been covered with comprehensive insurance policies.

LIQUIDITY RISK

The risk that the Company is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Liquidity and funding risk is the possibility that the company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Policy, framework and governance

The company has in place a robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk. This ensures that the company always maintains sufficient, eligible and appropriate financial resources to meet its future financial commitments as they fall due. Our Statement of Financial Position and liquidity have remained

strong and we surpass the regulatory liquidity thresholds comfortably. It is our policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due.

Customer deposits provide stable funding to support the majority of our lending. We have the access to diversified debt issuance on an unsecured and secured basis. These sources of funding are complementary to the company's customer deposit mobilising activities. We have a substantial portfolio of liquid assets that can be realised if liquidity stress occurs. We also have a contingency funding plan by way of undrawn approved bank lines.

Liquidity measurement and monitoring

Liquidity risk is measured and assessed on a daily basis centrally. The company uses a set of internal and regulatory metrics and analysis to assess liquidity risk. We manage liquidity risk, taking both short and medium-term requirements into consideration. In the short-term, our focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and bank funding where required. In the medium-term, the focus is on ensuring a structurally sound statement of financial position. ALCO is the monitoring body responsible for overseeing our liquidity management policies. The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at our monthly ALCO meetings. The pricing of deposit maturities are done in a way to curb the maturity mismatches between our lending and borrowing portfolios.

Management is closely monitoring the macro-economic conditions as it has continued to keep its risk management measures under review to readily respond to changing circumstances. The Company is comfortable with its existing buffer of liquid assets and other short term financial instruments.

Liquid assets

The significant level of liquid assets in the Statement of Financial Position reflects the application of our liquidity management policies and practices.

STRATEGIC RISK

Strategic risk is the potential for losses from failure to optimize the earning potential of the company. The company continuously follows developments taking place in the business environment and formulates its strategies to optimize the opportunities available whilst attempting to manage risks associated with such

Risk Management Report

strategies. Business strategies are adopted after evaluating the overall risks associated with such strategies. A comprehensive strategic plan for the next three years is in place with quantitative targets. Risks in achieving such targets have also been mapped and are monitored continuously.

CAPITAL RISK

Our approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which we operate. We aim to maintain a strong capital base to support the risks inherent in our business. For regulatory purposes, our capital base is divided into two main categories, namely Core Capital (Tier 1) and Total Risk Weighted Capital. The composition of capital under the current regulatory requirement for 31st March 2022 is provided in the table below. The figures reported here may differ from the figures reported in the financial statements as the figures below are based on the prudential regulatory requirements. It is the regulatory Statement of Financial Position, and not the financial accounting Statement of Financial Position, which forms the basis for the calculation of regulatory capital requirements.

Item	2022
	Amount Rs.'000
Tier I capital	42,369,303
Stated capital	2,230,286
Reserve fund	2,715,000
Audited retained earnings/(losses)	11,624,233
(less) Revaluation gains/surplus of investment property	(3,192)
General and other disclosed reserves	25,802,975
Adjustments to Tier I capital	896,521
Other intangible assets (net)	84,809
50% of investment in banking and financial subsidiary companies	24,750
50% of investment in other banking and financial institutions	786,961
Tier I Capital (after adjustments)	41,472,782
Revaluation gains	1,337,814
Eligible Tier 2 Capital	1,337,814
Total Adjustments to eligible Tier 2 Capital	811,711
50% of investment in banking and financial subsidiary companies	24,750
50% of investment in other banking and financial institutions	786,961
Eligible Tier 2 Capital after adjustments	526,103
Total Capital	41,998,885
Tier I Capital Adequacy Ratio (minimum 8%)	44.32%
Total Capital Adequacy Ratio (minimum 12%)	44.89%

REPUTATIONAL RISK

Reputational risk is the potential damage to the company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the company or its actions. Reputational risk could arise from the failure of the company to effectively mitigate the risks in its businesses including credit, liquidity, market, regulatory, legal or other operational risks. Damage to the company's reputation could cause existing clients to reduce or cease to do business with the company and prospective clients to be reluctant to do business with the company. All employees are responsible for day-to-day identification and management of reputational risk. Reputational risk may also arise from a failure to comply with environmental and social standards. Our primary social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have mechanisms in our origination and credit processes to identify and assess social risks. We have also consciously not engaged in certain business lines to avoid social risks. A comprehensive list of legal and regulatory compliance is tabled at monthly board meetings. Compliance to rules and regulations by the subsidiary companies are obtained on a quarterly basis and tabled at IRMC meetings to manage reputational risk, which could arise from the activities of other group companies.

Corporate Governance



We have established an exemplary corporate governance model to enable the Company to embed procedures, policies and control environments to mitigate identified or anticipated operational, business, strategic and reputational risks



Corporate governance is the system that encompasses principles, policies, procedures and clearly defined responsibilities and accountabilities used by stakeholders to overcome the conflict of interest inherent in the principal-agent form of business corporates.

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned objectives. The corporate governance framework guides the Company in formulating, communicating and achieving its corporate strategies and objectives. The Board of Directors is responsible for the governance of the Company and developing and establishing an effective governance framework in reviewing and streamlining systems and controls to provide transparency and accountability in ensuring adoption of best practices focusing on its stakeholders and in creating shareholder value.

The failure of a company to establish an effective system of corporate governance represents a major risk to the company and its investors. For shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices. As the highest decision making body and representative of stakeholders of Central Finance, the Board of Directors, takes the view that it requires a proactive approach to identify areas for improvement and questioning of the current status quo to ensure that all elements of our governance framework are fit for purpose, enabling value creation and growth, whilst acknowledging the legitimate rights and responsibilities of key groups of stakeholders and preserving accountability.

The corporate governance framework of Central Finance (CF) is specifically structured to facilitate effective and prudent management in enhancing and achieving sustainable shareholder value and success of the Company. We have established an exemplary corporate governance model to enable the Company to embed procedures, policies and control environments to mitigate identified or anticipated operational, business, strategic and reputational risks. A well-structured

corporate governance framework is presently in place to align business practices in the best interest of all our stakeholders ensuring transparency in business dealings, disclosure of information and proper financial reporting in compliance with voluntary and mandatory practices and applicable regulatory requirements. The Corporate Governance model adopted by CF is continuously reviewed and evaluated by the Board to achieve dynamic business performance and unfettered integrity.

In our endeavour to strengthen governance at CF, for the year ended 31st March 2022, we have embraced and adopted selective aspects of voluntary requirements outlined in the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. The Company has also complied with the mandatory requirements of Direction No. 03 of 2008 of the Finance Business Act No. 42 of 2011 and amendments thereto on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka and the Listing Rules of Colombo Stock Exchange.

We recognise that our strategy to be a consistent, stable and a strong financial service provider relies entirely on a foundation of good Corporate Governance as we endeavour to be at the forefront of the non-bank financial service sector.

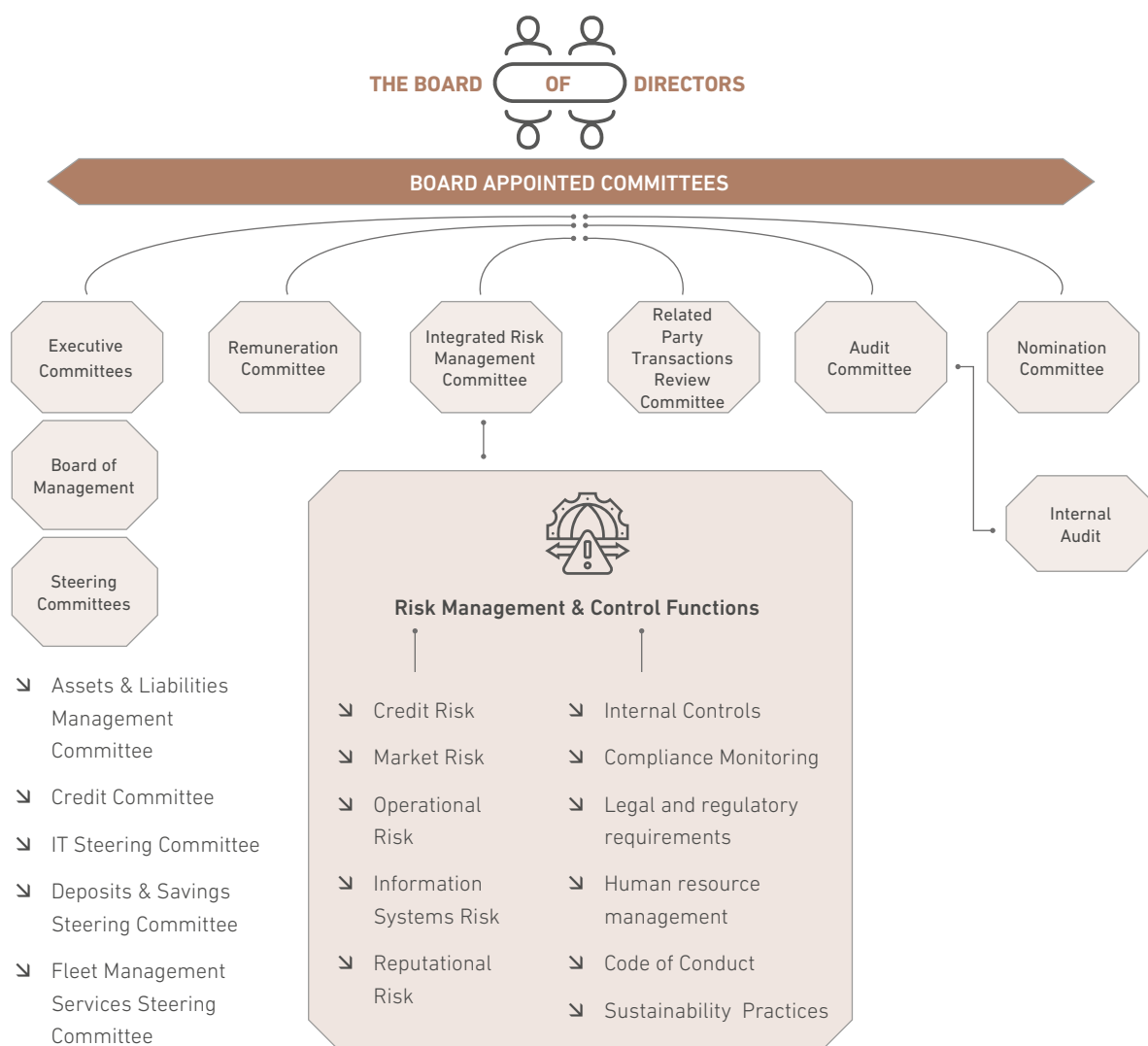
The current deepening economic condition of the country and rapid spread of COVID-19 Pandemic during beginning of the year had impacted the business and wellbeing of the employees. These have been material topics among the members of the Board and brought in another dimension to governance structure. In responding to the pandemic challenges and economic crisis, the Company has initiated strategic action on multiple levels by realigning risk fundamentals, strengthening governance frameworks and reforming business models on need basis to enhance the Company's ability to tackle specific challenges.

In this year's report, we outline the ways in which our Corporate Governance framework operated, including the roles and responsibilities of the Board and five of its Committees. The level of adoption and conformity with the rules and best practices embraced by the your Company are disclosed in this report.

Corporate Governance

CORPORATE GOVERNANCE FRAMEWORK

The Central Finance operates within an integrated governance framework formulated after taking into consideration the Corporate Governance direction issued by Central Bank of Sri Lanka (CBSL), the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the listing rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The diagram below illustrates our approach to Corporate Governance and depicts the interactive nature of the elements we view as being fundamental in embracing the spirit of best practice of Corporate Governance principles.



As in the past, this year too we report our governance practices and initiatives in three sections.









SECTION ONE	➔ Covers the level of adoption of the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka
SECTION TWO	➔ Covers the level of compliance with Direction No. 03 of 2008 of the Finance Business Act No. 42 of 2011 and subsequent amendments thereto on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka.
SECTION THREE	➔ Covers the level of conformity with the Continuing Listing Rules - Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

SECTION ONE

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

STATEMENT OF COMPLIANCE

The level of adoption of the above voluntary code which comprises of eight fundamental principles and conformance of the said principles by CF in summary form is disclosed below.

THE COMPANY		
Directors		The Company is led, directed and controlled by a Board of Directors with the skills, experience and knowledge complemented with a highest level of integrity and independent judgment. The Board is equipped with members having sufficient financial acumen and knowledge. CF has established a clear division of responsibilities between the Chairman and CEO/MD to ensure balance of power and authority, in such a way that no individual has unfettered powers of decision.
Directors' Remuneration		CF has a well-established, formal and transparent procedure for executive remuneration and fixing the remuneration packages of individual Directors. The level of remuneration of both Executive and Non-executive Directors is sufficient to attract and retain the Directors needed to manage the Company successfully.
Relations with Shareholders		Central Finance uses the Annual General Meeting to communicate with its shareholders and the Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Further during 2021/22, the Company had not engaged in or committed to any major and material transactions where the materially affected CF's net asset base.
Accountability and Internal Controls		The CF Board has presented a balanced and understandable assessment of the Company's financial position and performance during 2021/22. The Board has established a sound framework of risk management and internal controls. The Company has developed a Policy on Code of Conduct and Ethics applicable to all employees and has also addressed conflict of interest, financial irregularities, IT system controls, receiving entertainment and gifts and confidentiality of information.
SHAREHOLDERS		
Institutional Investors		The Board has encouraged the institutional shareholders to make considered use of their votes, ensure that their voting intentions are translated into practice and to give due weightage to all relevant factors drawn to their attention when evaluating the Governance arrangements of the Company.
Other Investors		The Company has encouraged individual shareholders to carry out adequate analysis or obtain independent advice in investing and divesting decisions and to participate and exercise their voting rights at the General Meeting.
Internet of Things and Cyber security		Prevailing risks related to information security has been taken in to consideration by the Board in formulating the IT risk management policy.
Environment, Society and Governance (ESG)		The Company has created long-term stakeholder value by embracing opportunities, managing risks and impact on business activities from economic, environmental and social developments through ESG reporting.

Corporate Governance

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
THE COMPANY		
A. DIRECTORS		
A.1 The Board <p>Central Finance is headed by a well-balanced Board of Directors with local and multinational experience drawn from different backgrounds inter alia banking, insurance, accounting, management, marketing and economics. All Directors possess the skills, experience and knowledge complemented with a high degree of integrity and independent judgment. The Board provides leadership in setting strategic direction and a sound control framework to successfully achieve the objectives of CF set out in the strategic plan and the annual budget to satisfy the expectations of stakeholders. The Board has also appointed Board Sub Committees to assist its collective responsibilities.</p>		
Board Meetings	A 1.1 Adopted	<p>The regularity of the board meetings and the structure and process of submitting information have been pre-agreed by the Board. The Board meets at monthly intervals, but meets more frequently whenever it is necessary.</p> <p>During the year, the Board met 14 times, at approximately monthly intervals.</p> <p>A monthly Board pack is presented to the Board members comprising financial and operational performance compared to previous periods, prevailing risks and mitigation factors, forecasts, regulatory compliances and any other matters that the Board should be aware of.</p> <p>Circulation of Board papers to obtain Board's consent was minimised and confirmations ratified at the subsequent Board meeting.</p> <p>Details of the Board meetings and individual attendance are given on page 83.</p>

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Board Responsibilities	A 1.2 Adopted	<p>The Board of Directors is responsible for setting sound business strategy, ensuring the execution of strategies, monitoring performance and oversight of the Company's affairs.</p> <p>The Board is chaired by an Independent Non-executive Director and the Board has put in place a Corporate Management team led by the MD/ CEO equipped with the required skills, experience and knowledge to implement the business strategy of the Company. A comprehensive succession planning for the MD/CEO, executive directors and key management personnel has been documented for a seamless operation. The non-executive directors possess experience from a number of industries and business sectors, including the leadership of large multinational enterprises.</p> <p>The Board determined the matters expressly reserved to the Board and the aspects delegated to the management including limits of authority and financial delegations.</p> <p>The Board takes necessary steps towards safeguarding the depositors, securing integrity of information, prudent management of risks, implementing an effective internal control system, ensuring good governance and compliance with rules and regulations.</p> <p>Processes have been established to monitor the progress on strategy implementation, budgets, plans and related risks and to ensure the corporate reporting on a quarterly basis, through the Board appointed subcommittees.</p> <p>The Board is responsible to ensure that the interest of all stakeholders is taken into consideration in the corporate decision making process and that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and complying with laws, regulations and ethical standards.</p>
Compliance with laws of the country and access to independent professional advice	A 1.3 Adopted	<p>Procedures and processes are in place to ensure compliance with all applicable laws and regulations of the country.</p> <p>A procedure is in place for Directors to seek independent and collective professional advice, in furtherance of their duties, at the Company's expense, as and when it is necessary.</p>

Corporate Governance

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Access to the Services of the Company Secretary	A 1.4 Adopted	<p>Access to the services of the Company Secretary - M/s Corporate Services (Pvt) Ltd is available for all Board Members, including Non-executive Directors, as and when required.</p> <p>The Company Secretary provides support and advise to the Chairman and the Board on all Corporate Governance matters, duties and responsibilities, Board procedures and in particular, compliance with Company Law and other applicable laws and regulations including but not limited to CBSL, CSE and SEC regulations.</p> <p>Change of the Company Secretary, if it arises, would be a matter that would be considered by the Board as a whole.</p> <p>The Company has obtained a comprehensive insurance cover for CF Board members and its KMPs for the year 2021/2022.</p>
Insurance cover for the Board/KMPs		
Independent judgment of Directors	A 1.5 Adopted	All Directors including Non-executive Directors, in discharging their responsibilities and duties, bring to bear independent judgment and scrutiny on decisions taken by the Board on matters relating to strategy, performance, resources, risk management, internal controls and standards of business conduct.
Dedication of adequate time and effort by Directors	A 1.6 Adopted	<p>All Directors dedicate adequate time for the fulfillment of their duties as Directors of the Company, to execute and discharge their duties and responsibilities satisfactorily. In addition to attending Board Meetings, they attend Sub-committee Meetings and contribute effectively to decisions made. Adequate time has been allocated by Directors for familiarization with business operations, risks and controls to effectively discharge their duties.</p> <p>Board papers are made available to the Directors providing sufficient time for review and to request additional information and clarification for effective participation. Any issues arising consequent to a meeting are also followed up. Approvals obtained through circulation of resolutions are ratified at the subsequent Board Meeting.</p>
Calling for resolution by one third of Directors	A 1.7 Not applicable	No such incidents had arisen during the year.

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Training for Directors	A 1.8 Adopted	<p>Directors have recognised the need for continuous training and expansion of knowledge for professional development which would assist them in the discharge of their duties. Training and development needs for directors are regularly reviewed and agreed on by the Board.</p> <p>All Directors have undergone necessary training, both in the general aspects of directorship and matters specific to the financial services industry.</p>
A.2 Chairman & Chief Executive Officer (CEO/MD) <p>Clear division of responsibilities between the Chairman and CEO/MD has been established to ensure the balance of power and authority, in such a way that no individual has unfettered powers of decision. The Chairman is responsible for leading the Board effectively to discharge all responsibilities and CEO/MD is responsible for management of the Company's business operation with the assistance of the Corporate Management Team.</p>		
Division of responsibilities of Chairman and MD/CEO	A 2.1 Adopted	<p>The roles of the Chairman and CEO/MD are separated in line with best practices to ensure that no individual is vested with unfettered powers of decision making. The Chairman leads and guides the Board to effectively discharge Board's responsibilities and CEO/MD leads the Company's business operation effectively with the assistance of the Board of Management Team.</p>
A.3 Chairman's Role <p>The Chairman is responsible for providing effective leadership to the Board in preserving sound Corporate Governance and orders, and facilitating effective discharge of Board functions.</p>		
Role of the Chairman	A 3.1 Adopted	<p>The Chairman is responsible for leading the Board and creating conditions for the effectiveness of the overall Board and the individual directors. The Chairman is not responsible for the executive matters of the Company and the direct supervision of the management.</p> <p>The Chairman shall be responsible for:</p> <ul style="list-style-type: none"> ➤ Providing leadership to the Board ➤ Ensuring that the Board works effectively and discharges its responsibilities and the key issues are discussed by the Board in a timely manner

Corporate Governance

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Role of the Chairman	A 3.1 Adopted	<ul style="list-style-type: none"> ✎ The Chairman is not responsible for executive matters of the Company and the direct supervision of management ✎ Running the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings ✎ Setting the Board agenda, in consultation with CEO/MD, Directors and Company Secretary taking into account the issues and concerns of all Board members ✎ Ensuring that the Directors receive accurate, timely and clear information on the Company's performance, to enable the Board to take sound decisions and provide advice to ensure that the Board acts in the best interests of the Company ✎ Managing the Board to allow adequate time for discussion of all agenda items ✎ Promote a culture of openness and debate by facilitating the effective contribution of non-executive directors and encouraging active engagement by all members of the Board ✎ Ensuring the performance of the Board and directors is evaluated at least once a year and acting on the results of such evaluation by recognising the strengths and addressing the weaknesses of the Board ✎ Maintaining effective communication with shareholders and conveying their views to the Board

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
A.4 Financial Acumen Board should ensure the availability of members with sufficient financial acumen and knowledge to offer guidance on matters of finance. CF's Board is equipped with members having sufficient financial acumen and knowledge.		
Availability of sufficient financial acumen and knowledge	A 4 Adopted	<p>The Board comprises of members with academic and professional qualifications in Accounting, Business Finance and Management with experience gained in different enterprises.</p> <p>The Board includes two Fellow Members of the Institute of Chartered Accountants of Sri Lanka and both of them are also Fellow Members of the Chartered Institute of Management Accountants of UK. In addition, the Board also includes three other members who are Members of the Chartered Institute of Management Accountants of UK. These Members of the Board have the ability to offer guidance on matters of finance to the Board.</p> <p>The details of their qualifications and experience have been set out in pages 14 to 17.</p>
A.5 Board Balance Maintaining a balanced Board between Executive Directors and Non-executive Directors is required as per the Code to ensure that no individual or small group of individuals can dominate the Board's decision making. Half the CF Board members are Non-executive Directors and each of them bring wide experience to the Board and ability to exercise independent judgment when taking informed decisions.		
Presence of a strong team of Non-executive Directors on the Board	A 5.1 Adopted	<p>The Board includes a strong presence of Non-executive Directors and no individual or small group of individuals can dominate its decision making.</p> <p>The roles of the Chairman and CEO/MD are not vested in one person. As per the criteria defined to determine an Independent Director in A.5.5 of CA Sri Lanka code, Chairman is determined as Independent Non-executive Director.</p> <p>Half the Board Members are Non-executive Directors which is more than the requirement of the code and majority of them are independent.</p>
Independent Directors	A 5.2 Adopted	More than two third of the Non-executive Directors are Independent which is above the minimum requirement prescribed by this Code.
Evaluation of independence of Non-executive Directors	A 5.3 Adopted	The Board considers Non-executive Directors' independence on the basis that an independent Director is independent of management and hence free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment which could impair their independence. Using the annual declaration the Board reviews the independence of each Non-executive Director

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Annual declaration of the Non-executive Directors	A 5.4 Adopted	Non-executive Directors have made written submissions annually as to their Independence or non-independence against the specified criteria as set out by the Company in line with requirements specified in schedule K of the code. Circumstances did not arise for the Board to decide a Director as Independent beyond the criteria set by this Code.
Determination of Independence of the Directors by the Board	A 5.5 Adopted	<p>The Board has reviewed the independence of each Non-executive Director during the year 2021/22 and has determined that the submission of the declaration by the Non-executive Directors, as to their independence is a fair representation and will continue to evaluate this annually. All criteria set out in the code in determining independence were met.</p> <p>The names of the Independent Non-executive Directors are given on page 14 to 17.</p>
Alternate Director	A 5.6 Adopted	The alternate director appointment has not been taken place during 2021/22.
Requirement of Senior Independent Director and availability for confidential discussions	A 5.7 and A 5.8 Not Applicable	The requirement to appoint a Senior Independent Director does not arise under this code as the roles of Chairman and CEO /MD are separated and the Chairman is determined as an independent Non-executive Director as per this Code.
Meetings with Non-executive Directors	A 5.9 Adopted	The Chairman meets with the Non-executive Directors without the presence of the Executive Directors as and when it is necessary.
Recording of concerns in Board minutes	A 5.10 Not Applicable	Circumstances have not arisen where Directors have had concerns on matters that were not unanimously resolved for such instances to be recorded in the minutes. All matters taken up for discussion were resolved through consensus at Board Meetings.
A.6 Supply of Information The Board should be provided appropriate and timely information in a form and of a quality appropriate to enable them to discharge their duties effectively. Financial and non-financial information are analysed and presented to the Board for accurate and effective decision making.		
Appropriate and timely information to the Board by the Management	A 6.1 Adopted	<p>The Management provides timely and appropriate information to the Board by way of Board Papers and Proposals. The Directors are free to raise queries for additional information as and when necessary.</p> <p>Presentations have been made to the Directors on important matters relating to strategy, risk management, recoveries, IT infrastructure developments, key updates in financial reporting and new legal developments.</p> <p>The Chairman ensures that all Directors are briefed on issues arising at Board Meetings.</p>

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Adequate time for Board Meetings	A 6.2 Adopted	The Board Papers are sent to the Directors well in advance, at least seven days before the respective Board Meetings, giving adequate time for Directors to study the related papers and prepare for a meaningful discussion at Board Meetings.
A.7 Appointment to the Board		
A formal and transparent procedure is in place for the appointment of new Directors to the Board as required by this Code.		
Nomination Committee	A 7.1 Adopted	<p>The Board appointed Nominations Committee recommends selection of new Directors for the approval of the Board. Details of the committee members are given in the Nomination Committee Report on page 99 Meeting of the Nomination Committee was held on the 27th of August 2021. Committee member attendance of the Nomination Committee is given on page 83.</p> <p>Executive Director Mr.G.S.N.Peiris, relinquished his duties on 30th June 2021 as per the succession plan and Mr. Chaminda Sampath Hettiarachchi appointed to the Board as Director Corporate Affairs with effect from 01st July 2021.</p> <p>Biographic details of the Directors are given on pages 14 to 17.</p>
Assessment of Board composition	A 7.2 Adopted	The Board carries out continuous reviews of the structure, size, composition, skills and knowledge of the Board, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands and key risks faced by the Company. Findings of the assessment of the Board are considered for new appointments and re-election of Directors. Also a process has been established to determine that the proposed Board appointees are fit and proper for the requirement.
Disclosure of details of new Directors to shareholders	A 7.3 Adopted	Appointment of new Directors are disclosed to the Shareholders, with a brief resume of each such Director including their expertise in relevant functional areas and names of companies in which the Director holds directorships, by way of public announcements as well as in the Annual Report. Approval for appointment of new Directors is obtained from the CBSL and notice on new appointments is given to CSE for public information. All new appointments and continuing directorships are reviewed by the Board as a whole.

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
A.8 Re-election Code requires all Directors to submit themselves for re-election at regular intervals of at least once in three years.		
Appointment of Non-executive Directors	A 8.1 Adopted	The Company's Articles of Association provides that at every Annual General Meeting of the Company, one-third of the Non-executive Directors shall retire from office. These Directors are eligible to stand for re-election by the shareholders at the annual general meeting. Period of service of Non-executive Directors shall not exceed nine years. Directors retire from the Board prior to reaching the age of 70 years.
Election of Directors by the shareholders	A 8.2 Adopted	Re-appointment of all Non-executive Directors including the Chairman of the Board is subject to election by shareholders at the Annual General Meeting. Re-election of Directors is at three year intervals and details as per code A 7.3 are submitted for shareholders to make informed decisions on their election. Proposed re-election is subject to prior review by the Board as defined in code A.7.2.
Resignation of directors	A 8.3 Not applicable	During 2021/22 Mr.G.S.N.Peiris relinquished his duties on 30th June 2021 as per the succession plan and required procedures had been followed.
A.9 Appraisal of Board Performance Board should appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged. The Board has periodically reviewed its performance against the pre-set criteria ensuring adherence to the code.		
Appraisal of Board performance and annual self-evaluation of the Board and its Committees	A 9.1 and A 9.2 Adopted	The Self Evaluation of the Board has been concluded for the year 2021/22. The outcome of such assessments was discussed at Board level, and action taken as required. The Audit Committee also carries out a self-assessment process annually, in accordance with the pre-set criteria, to ensure that the committee functions effectively and efficiently.
Process of reviewing the Directors at the re-election	A 9.3 Adopted	Participation, contribution and engagement of each Director is taken into consideration when each Directors are recommended for re-election by the Board.
Method of Board and Sub-committee Performance appraisal	A 9.4 Adopted	Method of evaluating the Board and its Sub-committee performance are stated in Section A 9.1 and A 9.2 above and Annual report of the Board of Directors on pages 92 to 98.

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
A.10 Disclosure of Information in respect of Directors Details of all Directors should be disclosed in the Annual Report for Shareholder's information		
Details in respect of Directors	A 10.1 Adopted	The details pertaining to each Director is disclosed as follows. a) Brief profile with expertise and experience – pages 14 to 17. b) Status of independence – pages 14 to 17. c) Other business interests – page 245. d) Attendance at Board Meetings and Sub-committee Meetings - page 83.
A.11 Appraisal of the Chief Executive Officer (CEO /MD) The Code requires the Board to assess the performance of MD /CEO at least annually to ascertain the achievement of pre-set Financial and Non-financial targets.		
Financial & Non-financial targets for MD /CEO	A 11.1 Adopted	At the commencement of the financial year, reasonable financial and non financial targets for MD /CEO are set by the Board in consultation with MD/ CEO in line with the short, medium and long term objectives of the Company.
Evaluation of the Performance of the MD/CEO	A 11.2 Adopted	There is an ongoing process to evaluate the performance of MD/CEO to assess whether the financial and non-financial targets set by the Board have been achieved during the financial year.
B. DIRECTORS' REMUNERATION		
B.1 Remuneration Procedure The Code requires that the Company should establish a formal and transparent procedure for developing an effective policy on executive remuneration and remuneration packages for individual Directors where no Director is involved in deciding his/her own remuneration.		
Remuneration Committee	B 1.1 Adopted	The Remuneration Committee is responsible for; <ul style="list-style-type: none"> ➤ Assisting the Board with regard to the remuneration policy for the Executive Directors and other senior level staff members ➤ Reviewing strategic human resource policies that can impact the business and recommending appropriate measures ➤ Determining and agreeing with the Board, the broad policy framework for the remuneration of the Executive Directors ➤ Deciding remuneration of the senior level staff members in order to recruit, retain and motivate them ➤ Reviewing / monitoring evaluation of performance of KMPs and their management developments and succession planning ➤ Communicating with shareholders on the remuneration policy and the committee's work on behalf of the Board through remuneration committee report

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Composition of the Remuneration Committee	B 1.2 and B 1.3 Adopted	As at the year-end majority of the members including the Chairman of the Remuneration Committee are Independent Non-executive Directors. The Chairman of the Committee is appointed by the Board. Committee meetings, composition, scope, policy and other details given in the remuneration committee report given on page 102 for details.
Remuneration of the Non executive Directors	B 1.4 Adopted	The Board as a whole decides on the remuneration of the Non-executive Directors. The Non-executive Directors receive a fee for serving on the Board and its Sub-Committees. The Non-executive Directors fee structure is reviewed and revised by the Board as a whole, as and when necessary.
Consultation of the Chairman and / or CEO/MD and access to professional advice	B 1.5 Adopted	Chairman of the Board is also the Chairman of the Remuneration Committee. External professional advice is obtained where necessary in determining the remuneration of the Executive Directors and senior level staff members. MD's (CEO) input is obtained in determining the remuneration of other Executive Directors and senior level staff members.
B.2 Level and make-up of the Remuneration The Code requires the Board to establish the levels of remunerations for both Executive and Non-executive Directors which should be sufficient to attract and retain the Directors needed to manage the Company successfully. A proportion of the Executive Directors remuneration should be structured to link rewards to corporate and individual performance.		
Level and make-up of the remuneration of Executive Directors for long-term success of the Company	B 2.1 and B 2.2 Adopted	<p>The Board is mindful of the fact that remuneration of Executive Directors should reflect the market expectations and is sufficient to attract and retain the eminence of Directors needed to achieve the Company's objectives.</p> <p>The remuneration framework of the Executive Directors is designed by the Remuneration Committee to create and enhance value for all stakeholders and to ensure that there is strong alignment between them for the long term success of the Company.</p>
Comparison of remuneration with other companies	B 2.3 Adopted	The Remuneration Committee in deciding the remuneration of the Directors and senior level staff takes into consideration the level of remuneration paid by other comparable companies and is also mindful of the performance and risk factors entailed.
Comparison of Remuneration with other companies in the Group	B 2.4 Not Adopted	The size and scale of Central Finance is not comparable with other Companies in the Group.
Performance related elements of remuneration to Executive Directors	B 2.5 Adopted	Please refer B 2.1 and B 2.2 above.

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Executive share options	B 2.6 Not Applicable	There are no share option plans available for executives.
Designing the Executive Directors remuneration	B 2.7 Adopted	The Remuneration Committee considered Schedule E to this code in deciding performance-related remuneration schemes of the Executive Directors.
Early termination of Directors	B 2.8 Adopted	Executive Directors are employees of the Company and their terms of reference are governed by the contract of employment. The Remuneration Committee has considered the compensation commitments given in the contracts of employment of Executive Directors, if any.
Compensation commitments not included in the initial contract	B 2.9 Adopted	Refer the B 2.8 above.
Remuneration of the Non-executive Directors	B 2.10 Adopted	Non-executive Directors receive fees in line with market practices taking into consideration the time commitment and responsibilities of their roles. No share option plans were offered as remuneration of Non-executive Directors for their service to the Company.
B.3 Disclosure of Remuneration		
The Company should disclose the remuneration policy and the details of remuneration of the Board as a whole in the Annual Report.		
Disclosure of remuneration	B 3.1 Adopted	<p>The Remuneration Committee's Report setting out the policy and composition of the Committee is given on page 102.</p> <p>The remuneration paid to the Board of Directors is disclosed in aggregate in note no 18 to the financial statements on page 168.</p>
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings.		
The Code requires the Board to use the Annual General Meeting to communicate with Shareholders and encourage their active participation.		
Notice of the AGM	C 1.1 Adopted	Notice of the meeting and related papers are sent to the shareholders as determined by the Companies Act No. 7 of 2007 and other statutes.
Separate resolution for all substantially separate issues	C 1.2 Adopted	<p>The Company proposes a separate resolution for all substantially separate issues to provide shareholders with the opportunity to vote on each issue separately. This mechanism assures transparency in all activities of the Company.</p> <p>Adoption of annual report and financial statements is considered as a separate resolution.</p> <p>Proxy appointment forms are provided to shareholders for each resolution with the option to direct their proxy accordingly. The Company is mindful to disregard the votes withheld at the calculation of the proportion of the votes for and against the resolution.</p>

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Use of proxy votes	C 1.3 Adopted	The Company has in place an effective mechanism to record all proxy votes and proxy votes lodged on each resolution.
Availability of all Board Sub Committee Chairmen at the AGM	C 1.4 Adopted	<p>The Chairman of the Board ensures that Chairmen of all Sub Committees namely, Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are present at the Annual General Meeting (AGM) to respond to any questions of shareholders.</p> <p>Requirement of Senior Independent Director will not arise as Chairman of the Board is independent according to the code.</p>
Adequate notice of the AGM and procedures of voting at General Meeting	C 1.5 Adopted	<p>All shareholders irrespective of their voting status are encouraged to attend the AGM.</p> <p>Notice of the meeting is given as per the requirements of the Companies Act No. 7 of 2007. The Annual Report including financial statements and the Notice of the Meeting detailing the summary of procedures governing the voting at the AGM and business to be transacted at General Meetings are sent to shareholders at least 15 workings days prior to the date of the AGM for effective participation.</p>
C.2 Communication with Shareholders		
The Code requires the Board to establish effective communication with shareholders.		
Channel to reach all shareholders of the company	C 2.1 Adopted	<p>The primary modes of communication are the Annual Report and AGM. Information provided to the shareholders well in advance of the AGM to give them an opportunity to raise any issues relating to the business of the Company.</p> <p>CF also publishes Annual Reports, interim reports, stock exchange announcement, general meetings and other notices to the holders of its securities in the CF web-site to enable effective communication with the stakeholders.</p>
Policy and Methodology for communication with Shareholders	C 2.2 Adopted	<p>The Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of information provided.</p> <p>A Board approved Communication Policy is in place to communicate with all stakeholders including shareholders, borrowers, depositors and creditors.</p>
Implementation of the Policy and Methodology	C 2.3 Adopted	As defined by the Board approved Communication Policy the Company adopts open communication with shareholders. Chairman, MD/CEO and the Company Secretary are contactable with short notice.

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Contact person in relation to Shareholders matters	C 2.4 & C 2.6 Adopted	Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or senior management of the Company. Such questions, requests and comments shall be addressed to the Company Secretary. Authorised spokespersons of CF are identified in the company communication policy.
Process to make all Directors aware of major issues and concerns of shareholders	C 2.5 Adopted	The Company Secretary maintains all correspondence received and will deliver as soon as practicable, such correspondence to the Board or individual Director/s as applicable.
The process for responding to shareholder matters	C 2.7 Adopted	Appropriate response will be provided to all validly received shareholder correspondence by the Board or individual Directors, as applicable, and Company Secretary will be directed to send immediate responses to the particular shareholder. Disclosure process of responding to shareholders is specified in the company communication policy.
C.3 Major and Material Transactions		
Further to complying with the requirements under statutes and regulators, Directors should disclose to shareholders all proposed material transactions which would materially alter/ vary the net assets position of the Company/Group, if entered in to.		
Major transactions	C 3.1 Adopted	There were no major transactions during 2021/22.
Disclosure requirements and shareholder approvals for special resolutions in PLCs	C 3.2 Adopted	CF has complied with all required disclosures and shareholder approvals has also obtained for special resolutions as required by the rules and regulations which have been established for public listed companies by the SEC / CSE.
D. ACCOUNTABILITY AND INTERNAL CONTROLS		
D.1 Financial and Business Reporting (The Annual Report)		
The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		
Statutory and Regulatory Reporting	D 1.1 & D 1.2 Adopted	The Board is aware of its responsibility to present balanced and understandable financial statements in compliance with statutory and regulatory requirements. In the preparation of quarterly and annual financial statements for the year ended 31st March 2022, Central Finance has complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, and presented in conformity with Sri Lanka Accounting Standards and complied with the reporting requirements prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and Colombo Stock Exchange.

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Declaration on financial Statements	D 1.3 Adopted	Prior to obtaining the Board approval for financial statements, Chief Financial Officer submits a declaration for quarterly and annual financial statements confirming that financial records of the Company have been properly maintained and financial statements/ disclosures comply with appropriate and required Sri Lanka Accounting Standards and give a true and fair view of the financial position and performance of the Company and effectiveness of the internal controls established by the management.
Directors' report in the Annual Report	D 1.4 Adopted	<p>The Directors have made all declarations in the "Annual Report of the Board of Directors" as given on pages 92 to 98 which includes the following;</p> <ul style="list-style-type: none"> ➤ the Company has not involved in any activity which contravenes the laws and regulations ➤ the Directors have placed great emphasis on instituting and maintaining effective corporate governance practices ➤ the property, plant and equipment of the Company are reflected at fair value and deviations have been properly disclosed ➤ the Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future ➤ instituting of an effective and comprehensive internal controls covering financial operations, compliances and risk management ➤ the Company has made all endeavours to ensure the equitable treatment of shareholders
Statement of Directors' and Auditor's responsibility for financial statements and report on Internal Controls	D 1.5 Adopted	<p>The Statement setting out the responsibilities of the Board for preparation and presentation of financial statements is included in "Directors' Responsibility for Financial Reporting" and given on page 101 of the Annual Report.</p> <p>Auditor's reporting responsibility is given in their report on the financial statements on pages 110 to 115.</p> <p>The Directors' Statement on Internal Controls is given on pages 107 to 108 and Auditor's report on "The Directors' Statement on Internal Controls" is given on page 109.</p>

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Management Discussion and Analysis	D 1.6 Adopted	The "Management Discussion and Analysis" report discussing the key aspects identified in this code is given on pages 19 to 24.
Summoning an EGM to notify serious loss of capital	D 1.7 Not Applicable	Likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Disclosure of Related Party Transactions	D 1.8 Adopted	<p>The Board has established an effective and comprehensive process for identifying, recording and disclosure of related party transactions. Steps have been taken by the Board to avoid any conflict of interest that may arise, in transacting with related parties. The Board ensures that any financial transaction is on terms that are reasonable if the Company and the related party were dealing at arm's length in the ordinary course of business.</p> <p>As an effort to strengthen the monitoring mechanism of related party transactions, Board has established a Related Party Transactions Review Committee (RPTRC). All related party transactions as defined in Sri Lanka Accounting Standard Colombo Stock Exchange and similar regulations on "Related Party Transactions" are disclosed in note 60 to the Financial Statements on pages 238 to 241.</p>
D.2 Risk Management and Internal Control		
The Board is responsible for determining the nature and extent of the principal risks that will be taken in achieving the strategic objectives. The Board should have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and company's assets.		
Annual evaluation of risk management systems and the effectiveness of the internal control system	D 2.1 & D 2.2 Adopted	<p>The Board is responsible for establishing a sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis. Through such an effective framework, CF manages business risks and ensures that the Company's assets are safeguarded.</p> <p>Potential risks of the Company and effectiveness of the system of internal controls related to financial, operational and compliance are reviewed at least annually by the Company.</p> <p>Robust assessment of the principal risks faced by the Company including the factors that would threaten the business model, future performance.</p> <p>The Directors' Statement on internal controls is given on pages 107 to 108. The Auditor's report on same is given on page 109.</p>
Internal audit function	D 2.3 Adopted	The Internal Audit function is carried out by the Internal Audit Department of the Company.

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Review of process and effectiveness of risk management & internal controls	D 2.4 Adopted	<p>CF Internal Audit Division carries out regular reviews on the internal control system including internal control over financial reporting.</p> <p>The Audit Committee monitors and reviews the Internal Control issues and risk management measures identified by the Internal Audit Division and evaluate the adequacy and effectiveness of risk management and internal control system of the Company.</p> <p>The Board was satisfied with the effectiveness of the internal control system as referred to in the "Directors' Statement on Internal Control" on pages 107 to 108.</p>
Responsibilities of Directors in maintaining a sound internal control system	D 2.5 Adopted	<p>The Directors' responsibilities for maintaining a sound system of internal control are given in the "Directors' Statement on Internal Controls" on pages 107 to 108.</p> <p>The External Auditor has independently reviewed the report as indicated on page 109 of the Annual Report.</p>
D.3 Audit Committee The Code requires the Board to have a formal and transparent arrangement in selecting and applying Accounting policies for financial reporting, determining the structure and content of the corporate reporting, implementing internal control and risk management principles and maintaining an appropriate relationship with the Company's Auditor.		
Composition of the Audit Committee	D 3.1 Adopted	<p>As at the year end, the Audit Committee comprised of two Independent Non-executive Directors and one Non-independent Non-executive Director. The Chairman of the Audit Committee is an Independent Non-executive Director. The said Committee met 7 times during the year 2021/22.</p> <p>The Deputy General Manager - Internal Audit functions as the Secretary to the Audit Committee. Chairman, Deputy Managing Director, GM-Finance/CFO, Chief Strategy Officer, Manager – Internal Audit, Manager – IT Audit, External Auditor and other outsourced professional service providers appointed by the Audit Committee attend meetings by invitation.</p>

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Terms of reference of the Audit Committee	D 3.2 Adopted	<p>The Audit Committee is guided by the Committee Charter which sets out authority and responsibility of the Audit Committee. The Charter was reviewed for 2021/22 in line with the Code of Best Practices on Audit Committees of CA Sri Lanka.</p> <p>The Duties and Responsibilities of the Committee include, inter alia;</p> <ul style="list-style-type: none"> ➤ Assisting the Board to ensure preparation and presentation of Financial Statements in conformity with Sri Lanka Accounting Standards and other laws and regulations. The committee reviews the annual and quarterly financial statements with management and the External Auditor ➤ Assessing the compliance of regulatory requirements and Company's ability to continue as a going concern in the foreseeable future ➤ Monitoring and reviewing the effectiveness of the Internal Audit function ➤ Reviewing the internal control system ➤ Making recommendations to the Board on the appointment, re appointment or removal of the External Auditor and to approve the remuneration and terms of engagement of the external auditor ➤ Discussion of external audit plan, key audit issues and management responses with management and the Auditor ➤ Assisting the Board in assessing the independence and objectivity and effectiveness of the audit process ➤ The Committee has set out the policy for the engagement of the External Auditor for non-audit services taking into account, relevant ethical and regulatory guidance regarding the provision of non-audit services by the external audit firm <p>The Audit Committee reviewed and approved the policy for engagement of the External Auditor to provide non-audit services for the year 2021/22.</p> <ul style="list-style-type: none"> ➤ Separate periodic meetings with management, external auditor and the internal auditors ➤ Reporting regularly to the Board of Directors

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
Disclosures of the Audit Committee	D 3.3 Adopted	A review of the scope of the Audit Committee, results of the Audit and the effectiveness in discharging its duties during 2021/22 are described in the Audit Committee report on pages 104 to 106.
D.4 Related party transactions review committee The code requires the Board to ensure that a procedure has been established to avoid any conflict of interest that may arise, in transacting with related parties.		
Related parties and related party transactions	D 4.1 Adopted	All related parties and related party transactions are identified in conformity with LKAS 24.
Related party transactions review committee	D 4.2 Adopted	The Board has established a Related Party Transaction Review Committee which comprises independent Non-executive directors and executive directors, with the majority being Non-executive directors and chaired by an independent Non-executive director. Executive directors are also included in the membership of the committee in line with the CSE's listing rule requirements.
Related Party Transactions (RPT) Review committee terms of reference	D 4.3 Adopted	The RPT Review committee is directed by the Board approved terms of reference which sets out authority and responsibility of the Committee. It has addressed: <ul style="list-style-type: none"> ➤ Ensuring that policies and procedures are in place to review the related parties and related party transactions of the Company in line with LKAS 24 CSE listing rules, Corporate Governance Direction No 03 of 2008 and periodic review of the same ➤ Procedure to identify and for Directors to report recurrent and non-recurrent related party transactions as defined in the CSE listing rules ➤ Ensuring that interested Director or KMPs shall not participate in any discussion of proposed related party transactions unless such person is requested to do so by the Committee for the purpose of providing information concerning the related party transaction ➤ Procedures to be followed in a situation where conflicts arise ➤ Reviewing the availability of procedures in making disclosures related to financial reporting and ensuring that it is in accordance with the Code and Sri Lanka Accounting Standards ➤ Reviewing and recommending to the Board the related party disclosures to be made in the annual report

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
D.5 Code of business conduct & ethics The code requires the Company to develop a Code of Business Conduct and Ethics which is to be adhered to by all Directors, Key Management Personnel and all other employees including but not limited to: dealing with shares of the Company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance.		
Code of business conduct and ethics	D 5.1 Adopted	Central Finance has developed a Code of Business Conduct for all Staff Members, which addresses conflict of interest, receiving gifts or any other benefit, accurate accounting and record keeping, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets including information assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behaviour. The code of business conduct and ethics has been adhered to in all respects by the Directors and Key Management Personnel.
Price sensitive information	D 5.2 Adopted	Communication policy is in place defining the procedure to identify and report material and price sensitive information in accordance with the relevant regulations.
A process of monitoring and disclosing of share purchases	D 5.3 Adopted	A process is in place to monitor and disclose the purchasing and selling of shares by Directors and Key Management Personnel.
Affirmation of the code of conduct and ethics	D 5.4 Adopted	The communication policy which includes code of conduct and ethics and the procedure for disseminating, monitoring and compliance with the code have been introduced Company wide and the Chairman confirms that he is not aware of any material violations of the Code of Conduct.
D.6 Corporate Governance Disclosures The code requires the Company to disclose the extent of adoption of best practices in Corporate Governance		
Corporate Governance Report	D 6.1 Adopted	This report satisfies the requirement of the code.

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Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
SHAREHOLDERS		
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder voting		
The Code requires the institutional shareholders to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.		
Communication with Institutional shareholders	E 1.1 Adopted	The Annual General Meeting is used for effective dialogue with the shareholders on matters which are relevant and of concern to the general membership. The Chairman communicates the views and queries of the shareholders to the Board and Senior Management, in order to ensure that the views are properly communicated and acted upon.
E.2 Evaluation of Governance Disclosures		
The Company should encourage institutional investors to give due weightage to all relevant factors drawn to their attention when evaluating the Governance arrangements of the Company.		
Evaluation of the Corporate Governance initiatives	E 2 Adopted	When evaluating the Company's Corporate Governance arrangements, institutional investors are encouraged to give due weightage to all relevant factors particularly in the Board structure and composition.
F. OTHER INVESTORS		
F.1 Investing/Divesting Decisions		
The Code requires individual shareholders to carry out adequate analysis or obtain independent advice in investing and divesting decisions.		
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 shareholders should be encouraged to participate and exercise their voting rights in General Meetings		
Individual shareholders voting	F 2 Adopted	Individual shareholders are encouraged to participate at General Meetings and exercise their voting rights. The Company communicates with all shareholders by ensuring that they are duly informed by dispatching necessary Notices.

Corporate Governance Principles	CASL Code Reference/ Adoption status	Extent of Adoption by CF
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G. INTERNET OF THINGS AND CYBERSECURITY

Prevailing risks related to information security has been taken in to consideration by the Board in formulating a cybersecurity risk management process.

Effective cyber-security risk management process	Principle G.1 - Principle G.5	Prevailing risks related to information security has been taken in to consideration in developing the Information Security Management System policy which includes a robust cybersecurity risk management process, incident response system, disaster recovery plan and governance structure to monitor effective implementation and reporting.
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H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

H.1 ESG Reporting

ESG factors create longterm stakeholder value by embracing opportunities, managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business activities of the entity.

ESG reporting is the practice of recognizing, measuring, disclosing and being accountable to all stakeholders for organizational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity. Hence, the Code requires to maintain Policies and Procedures to develop a sustainable business environment and make adequate disclosures on this regard in the annual report.

Information on ESG reporting	H 1.1 Adopted	Please refer the "Corporate Social Responsibility Report" on pages 84 to 89 for details.
Environment factors	H 1.2 Adopted	
Social factors	H 1.3 Adopted	
Governance	H 1.4 Adopted	
Board's role on ESG factors	H 1.5 Adopted	

SECTION TWO

FINANCE COMPANIES DIRECTION NO. 03 OF 2008 (AND SUBSEQUENT AMENDMENTS THERETO) ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA

The Central Bank of Sri Lanka issued the Direction on Corporate Governance (Finance Companies Direction No. 03 of 2008 and subsequent amendments thereto), in order to improve and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka.

The above Direction comprises of nine (9) fundamental principles, namely:

1. The responsibilities of the Board of Directors
2. Meetings of the Board
3. Composition of the Board
4. Criteria to assess the fitness and propriety of Directors
5. Delegation of functions
6. The Chairman and the Chief Executive Officer
7. Board appointed Committees
8. Related party transactions
9. Disclosures

The structures in place and the conformity with the requirements are tabulated below under the said nine fundamental principles.

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
2. THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS		
2 (1) Strengthening the safety and soundness of the Company		
Approving and overseeing the strategic objectives and corporate values / communication	2.1 (a)	<p>Complied with</p> <p>Strategic objectives, corporate values, overall business strategy and policies of the Company set by the Board are reviewed by the Board and are communicated to all levels of the Company at meetings.</p> <p>The Board approved Strategic plan for 2022-2024 at the meeting held on 22 September 2021.</p> <p>The Company has developed a policy on Code of Conduct and Ethics for all employees, in line with strategic objectives and corporate values of the Company. The corporate values are posted on the internet and all employees are guided by these values.</p>
Approving overall business strategy including risk policy and risk management procedures	2.1 (b)	<p>Complied with</p> <p>Overall risk parameters have been set up with regular reviews in place through Board of Management (BoM), Integrated Risk management Committee (IRMC) and Assets and Liabilities Committee (ALCO). The Board has provided direction in the development of short, medium and long term strategy of the Company with the objective of promoting sustainability and profitable growth of the Company.</p> <p>The Board approved Strategic plan for 2022-2024 at the meeting held on 22 September 2021.</p> <p>Further, the overall risk framework and risk management procedures and mechanism which have been outlined in line with overall business strategy are regularly monitored by the Board Integrated Risk Management Committee.</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Risk Management	2.1 (c)	<p>Complied with</p> <p>Assets and Liabilities Management Committee (ALCO), Board of Management (BOM) and Integrated Risk Management Committee (IRMC) identify and review risks and systems that have been developed to manage and mitigate risks. ALCO and BOM review performance monthly and the IRMC meets every quarter or earlier if required.</p> <p>Minutes of all three committees are tabled at monthly Board Meetings for their review and further action, if required.</p> <p>Board Integrated Risk Management Committee Report on page 103 provide further insights in this regard.</p>
Communication with stakeholders	2.1 (d)	<p>Complied with</p> <p>The Board is responsible for ensuring effective communication with all stakeholders including depositors, creditors, shareholders and borrowers.</p> <p>A Board approved Communication Policy is in place and reviewed, as and when required. The Communication Policy was last reviewed and approved by the Board of Directors on 22 Dec 2021.</p> <p>The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.</p>
Internal Control System and Management Information System	2.1 (e)	<p>Complied with</p> <p>Continuous and ongoing reviews are effected on the adequacy and integrity of the Internal Control and Management Information Systems by Board Sub-committees and suggestions are made to the Board where necessary.</p> <p>Company's internal control systems over financial reporting and management information systems are reviewed periodically by the Audit Committee. The Audit Committee minutes are submitted to the Board. Where necessary Audit Committee reports are also submitted to the Board for further action. Periodic External Reviews are also commissioned as and when necessary, on specific areas by Specialists.</p>

Corporate Governance

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Identifying and designating Key Management Personnel	2.1 (f)	<p>Complied with</p> <p>Identification and designation of Key Management Personnel (KMP) is in place in accordance with these corporate governance guidelines and periodically reviewed and updated by the Board. All Executive Directors and General Managers have been identified as KMPs. Company's Compliance Officer and Deputy General Manager – Internal Audit has also been designated as a KMP. All appointments of designated KMP are recommended by the Nomination Committee and approved by the Board.</p> <p>KMP are also defined in the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", as the persons who significantly influence policy, direct activities and exercise control over business activities, operations, and risk management. For financial reporting purposes, the Board of Directors are defined as KMP.</p>
Defining the areas of authority and key responsibilities of Board and Key Management Personnel	2.1 (g)	<p>Complied with</p> <p>The Board has defined the areas of authority and key responsibilities of the Board Members. In addition, Non-executive Directors have specific areas of responsibility through various Sub Committees of the Board. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs. The delegated authority limits for KMPs have been reviewed and approved by the Board regularly.</p>
Oversight of affairs of the Company by Key Management Personnel	2.1 (h)	<p>Complied with</p> <p>The Board at its monthly meetings and Board of Management (BoM) at its detailed monthly review ensures that there is appropriate oversight of the Company's affairs by Key Management Personnel and consistent with its strategic objectives and corporate values of the Company.</p>
Assess effectiveness of Governance Practices	2.1 (i)	<p>Complied with</p> <p>The Board ensures that effectiveness of governance practices are periodically assessed. A transparent process is followed for selection, nomination and election of Directors and Key Management Personnel.</p> <p>Directors make declarations on areas of interest when joining the Company's Board and subsequently on a quarterly basis.</p> <p>Implementation of changes required are discussed and determined by the Board at year end through submission of annual self-evaluations. Conflict of interest is managed through a balanced Board of Directors and a Board approved Related Party Transactions Review Committee.</p>
Succession plan for Key Management Personnel	2.1 (j)	<p>Complied with</p> <p>A documented Succession Plan is in place for all Key Management positions and training programmes are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Regular meeting with the Key Management Personnel	2.1 (k)	<p>Complied with</p> <p>The Board meets with Key Management Personnel in reviewing policies, monitoring progress towards corporate objectives and ensuring lines of communication. In addition, KMPs make presentations to the Board as a whole or to individual Directors on matters of interest.</p> <p>The Board of Management (BOM), a committee comprising Executive Directors and Key Management Personnel, review policies, and monitor progress towards corporate objectives at their monthly meetings. Further, KMPs attends Board sub-committee meetings on invitation for effective decision making.</p>
Understanding the regulatory environment	2.1 (l)	<p>Complied with</p> <p>Director (Corporate Affairs), Compliance Officer and Company Secretary update the Board Members on changes to the regulatory environment. Regular discussions, training and seminars are arranged for Directors and Key Management Personnel to facilitate understanding the regulatory environment.</p>
Hiring and oversight of External Auditor	2.1 (m)	<p>Complied with</p> <p>The Board appointed Audit Committee reviews and makes recommendations to the Board on the appointment, re-appointment or removal of the External Auditor in line with professional standards and regulatory requirements.</p> <p>The Audit Committee sets out the policy for the engagement of the External Auditor to provide non-audit services, which is reviewed annually. The Audit Committee has reviewed and approved the policy for the year 2021/22.</p>
Appointing Chairman and Chief Executive Officer	2 (2)	<p>Complied with</p> <p>The Board has appointed the Chairman and Chief Executive Officer (CEO/MD). The roles of Chairman and Chief Executive Officer (CEO/MD) are separated and the Board has defined and approved the functions and responsibilities of the Chairman and the Chief Executive Officer (CEO/MD) in line with rule 7 of the CBSL direction.</p> <p>Please refer Section A.2 and A.3 of CA Sri Lanka Code table on pages 47 to 48 and rule 7 of CBSL direction on page 74 for details.</p>
Seeking independent advice	2 (3)	<p>Complied with</p> <p>The Company has a procedure for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This procedure is coordinated through the company secretary, as and when it is requested.</p> <p>Please refer section A 1.3 of the CASL Code table on page 45 for details.</p>

Corporate Governance

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Avoiding conflicts of interest	2 (4)	<p>Complied with</p> <p>The Board is mindful of its obligation to ensure that Directors avoid conflict of interests. The Directors make declarations on areas of interest at the time of applying to the Board and subsequently as and when changes occur. Appropriate procedure is in place to ensure that conflict and potential conflict of interests are properly disclosed to the Board. Procedure is in place for Directors to abstain from voting on any Board Resolution when the Director or any of his/her relatives or a concern, in which he/she has substantial interest, is interested.</p> <p>A director shall not participate in any discussion on a related party transaction for which he/she or any of his/her immediate family members are associated with and is required to provide all material information concerning the related party transactions to the Board.</p>
Formal Schedule of Matters to ensure proper direction and control	2 (5)	<p>Complied with</p> <p>The Board has a formal schedule of matters specifically reserved for it. Pre-set agenda of meetings ensures that the direction and control of the Company is firmly under Board's control and authority.</p>
Informing Director NBF1 Supervision, if there are solvency issues	2 (6)	<p>The Company is solvent, and no situations have arisen to challenge its solvency.</p>
Publishing a Corporate Governance Report	2 (7)	<p>Complied with</p> <p>This report addresses the requirement of this rule.</p>
Self-assessment of Directors	2 (8)	<p>Complied with</p> <p>Each Director performs an annual self-assessment of his own effectiveness as well as the effectiveness of the Board based on the predefined criteria set by the Board and maintains records of such assessments.</p> <p>Last assessment was carried out in November 2021 and Chairman discussed the evaluation of Board Performance at the Board Meeting held on 24th November 2021.</p> <p>Please refer Section A.9.1 of CA Sri Lanka Code table on page 52 for details</p>
3. MEETINGS OF THE BOARD		
Regular Board Meetings	3 (1)	<p>Complied with</p> <p>The Board meets at monthly intervals, but meets more frequently whenever it is necessary. Circulation of written or electronic resolutions / Board papers to obtain Board's consent was minimized and approvals obtained through the circulation of resolutions / Board papers are subsequently ratified at the next Board Meeting. The Company has held 14 Board meetings during the year.</p> <p>Please refer section A 1.1 of the CA Sri Lanka code table on page 44 for details.</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Inclusion of proposals by all Directors in the agenda	3 (2)	Complied with Proposals from all Directors on promotion of business and management of risk and other areas relevant to the progress of the Company are included in the agenda for regular meetings as and when they arise.
Adequate notice of Board meetings	3 (3)	Complied with Directors are given adequate time and at least 7 days of notice for Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions. Directors have access to KMP to clarify matters and to external specialists for independent advice, when required.
Attendance of Directors Board Meetings	3 (4)	Complied with All Directors have attended more than two-third of the meetings held during the year. No Director has been absent from three consecutive regular meetings held in 2021/22. Attendance at Board Meetings is given on page 83.
Appointing and setting responsibilities for Board Secretary	3 (5)	Complied with The Board has appointed M/s. Corporate Services (Pvt) Ltd., to handle the secretarial services to the Board to ensure that proper Board proceedings and other functions are followed in line with rules and regulations enforced by Statutes. Please refer section A 1.4 of the CA Sri Lanka code table on page 46 for details.
Agenda for Board Meetings	3 (6)	Complied with The Board Secretary prepares the Agenda, which has been delegated by the Chairman.
Access to the Board Secretary	3 (7)	Complied with Service of the Board Secretary is available for all Directors in discharging their duties to the Company. The Board Secretary has provided the Board with support and advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. Please refer section A 1.4 of the CA Sri Lanka code table on page 46 for details.
Maintenance of minutes of the Board Meetings and access to Directors	3 (8)	Complied with The Company Secretary maintains the minutes of the Board Meetings and Directors have full access to inspect the Minutes of the Board Meetings at any reasonable time, at short notice.
Details of Minutes	3 (9)	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary as defined in the direction.
4. COMPOSITION OF THE BOARD		
Number of Directors	4 (1)	Complied with During the year the Board comprised of ten (10) Directors complying with the requirements

Corporate Governance

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Period of service of Non-executive Directors	4 (2)	<p>Complied with</p> <p>Non-executive Directors serving on the Board have not served on the Board for more than nine years.</p>
Appointment of an employee as a Director	4 (3)	<p>Complied with</p> <p>General Manager – Legal, Mr. Chaminda Sampath Hettiarachchi was appointed as Director – Corporate Affairs to the Board w.e.f. 01st July 2021.</p> <p>The Executive Directors of the Company have not exceeded one-half of the number of Directors of the Board.</p>
Independent Non-executive Directors	4 (4)	<p>Complied with</p> <p>The Company has satisfied the requirement for independent directors, which is in excess of one fourth of the total number of Directors.</p> <p>The Board reviews the independence of Non-executive Directors on an annual basis and as and when circumstances change, based on the self-declaration and as a part of each Director's performance assessment.</p> <p>The Board reviews the independence of Non-executive Directors on an annual basis and as and when circumstances change, based on the self-declaration and as a part of each Director's performance assessment.</p>
Alternate Director	4 (5)	<p>Complied with</p> <p>There were no instances of appointing Alternate Directors for Independent Non-executive Directors.</p>
Credibility, skills and experience of Non-executive Directors	4 (6)	<p>Complied with</p> <p>The Non-executive Directors possess skills and experience from a number of industries and business sectors, including the leadership of large multinational enterprises.</p> <p>Biographic details of the Directors are given on pages 14 to 17.</p>
Quorum at Board Meetings	4 (7)	<p>Complied with</p> <p>As per the Articles of Association of the Company, the quorum to constitute a Meeting of the Board is two Directors of which one Director should be a Non-executive Director. As per the attendance of the Board Meetings during the year 2021/22, the required quorum has been maintained at all Board Meetings.</p> <p>Details of the meetings and individual attendance are given on page 83.</p>
Details of Directors	4 (8)	<p>Complied with</p> <p>Please refer pages 14 to 17 for the biographic details of the Directors and the categories.</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Appointment of new Directors	4 (9)	<p>Complied with</p> <p>The Board has a transparent process in place when appointing Directors to the Board. Further, the Board approved succession plan is in place for the Members of the Board and KMPs.</p> <p>Executive Director Mr. G.S.N.Peiris, relinquished his duties on 30th June 2021 and Mr. Chaminda Sampath Hettiarachchi appointed to the Board as Director Corporate Affairs with effect from 01st July 2021</p> <p>Please refer section A 7.3 of the CA Sri Lanka code table on page 51 for details.</p>
Re-election of Directors filling casual vacancies	4 (10)	<p>Complied with</p> <p>As per the Articles of Association of the Company, All Directors appointed to the Board are subjected to re-election by shareholders at the first Annual General Meeting after their appointment.</p>
Disclosure of resignation / removal of a Director	4 (11)	<p>Complied with</p> <p>All resignations and appointments of Directors are informed to the shareholders with sufficient details, via notification to the Colombo Stock Exchange, via Annual Report and press release after obtaining relevant approvals from Director – SNBFI of the CBSL.</p> <p>Mr.G.S.N.Peiris relinquished his duties on 30th June 2021 as per the succession plan and required procedures had been followed upon his resignation.</p>
5. RE-ELECTION OF DIRECTORS FILLING CASUAL VACANCIES		
Directors over 70 Years of age	5 (1)	<p>Complied with</p> <p>Directors serving on the Board as at 31.03.2022 have not reached the age of seventy (70) years.</p>
Holding of office in more than 20 entities	5 (2)	<p>Complied with</p> <p>As at 31.03.2022, none of the Directors on the Board hold Directorships in more than 20 companies including the subsidiary and associates companies of Central Finance Company PLC.</p>
6. DELEGATION OF FUNCTIONS		
Delegation of work to the management	6 (1)	<p>Complied with</p> <p>Article 127 of the Articles of Association of the Company empowers the Board to delegate its powers and the Board has established a formal procedure for delegation of powers, retaining the ability to discharge its functions as required.</p> <p>The Board of Central Finance periodically evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.</p>

Corporate Governance

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Evaluation of the delegated process	6 (2)	<p>Complied with</p> <p>The Board of Central Finance periodically evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.</p>
7. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER		
Separation of roles	7 (1)	<p>Complied with</p> <p>The roles of the Chairman and the Chief Executive Officer / Managing Director are Separate.</p>
Chairman and appointment of a Senior Independent Directors	7 (2)	<p>Complied with</p> <p>Chairman of the Board is an Independent Non-executive Director. Hence, requirement of appointing a Senior Director did not arise, as per the definition set out in the Corporate Governance Direction.</p>
Relationship between Chairman, CEO and other Directors	7 (3)	<p>Complied with</p> <p>As declared by the Directors, there are no material relationships between the Chairman and Chief Executive Officer (CEO/MD) and other members of the Board which will impair their respective roles.</p>
Role of the Chairman	7(4) to 7(10)	<p>Complied with</p> <p>The Chairman is responsible to lead, direct and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory requirements.</p> <p>Detailed information of the role of the Independent Non-executive Chairman is given in the CASL Code table section A 2 and A 3 on page 47 to 48.</p>
Role of the CEO	7 (11)	<p>Complied with</p> <p>The Chief Executive Officer (CEO/MD) shall function as the apex executive in charge of the day-to-day management of the Company's operations and business.</p>
8. BOARD APPOINTED COMMITTEES		
Board appointed Sub-committees	8 (1)	<p>Complied with</p> <p>There are five Board appointed Sub-committees namely, Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee.</p> <p>Minutes of the Sub-committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions were circulated to the Board by respective Secretaries of the Committees.</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Audit Committee	8 (2) (a) to 8 (2) (q)	<p>Complied with</p> <p>As at the year end, the Audit Committee comprises of two Independent Non-executive Directors including the Chairman and one Non-independent Non-executive Director. Please refer section D 3 of the CA Sri Lanka code table on pages 60 to 62 in respect of composition, role and responsibilities of the Board appointed Audit Committee.</p> <p>a. The Chairman of the Committee The Committee is chaired by Mr. M. H. de Silva, a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom with considerable experience in the field of auditing and finance from 1st July 2020.</p> <p>b. Composition of the Audit Committee As at the year end, the Board appointed Audit Committee comprised of two Independent Non-Executive Directors and one Non-independent Non-executive Director</p> <p>c. Recommendation to the Board on appointment, re-appointment and removal of External Auditor, related service period, fees, implementation of the CBSL guidelines issued to external auditors and application of accounting standards</p> <p>The Audit Committee is empowered by the Board to recommend the appointment of the External Auditor in compliance with the relevant statutes issued by CSE, CBSL and best practice on Corporate Governance; the service period; audit fee and any resignation or dismissal of the auditor.</p> <p>The Committee reviewed the effectiveness of the audit process in accordance with applicable standards and best practices. The Audit Committee ensured that the engagement of an audit partner did not exceed five years and that the audit partner was not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p>

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Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Audit Committee	8 (2) (a) to 8 (2) (q)	<p>Complied with</p> <p>d. Monitoring and review of the External Auditor's independence, objectivity and effectiveness.</p> <p>The Committee periodically reviews the independence, objectivity and effectiveness of the audit process in conformity with applicable standards and best practices.</p> <p>e. Policy of engagement of External Auditor in non-audit services</p> <p>The Committee assisted the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensured that engagement in non-audit services does not impair the external auditor's independence and objectivity. Policy on engagement of the external auditor to provide non-audit services had been reviewed and approved by the Committee on 8th April 2022</p> <p>f. Discussing and finalising the nature and scope of the audit with external auditor</p> <p>The Committee approved the terms of engagement and scope of the audit and reviewed and approved the annual audit plan to ensure that it is consistent with the scope of the audit engagement</p> <p>g. Reviewing financial information of the Company</p> <p>The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders. The Committee reviewed the internal controls on financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgemental areas and material audit judgments</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Audit Committee	8 (2) (a) to 8 (2) (q)	<p>h. Meeting with External Auditor with and without the presence of Executive Directors/KMPs</p> <p>The Committee met with the External Auditor at two meetings without the presence of management to discuss whether there have been any irregularities, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.</p> <p>i. Review of External Auditor's Management Letter</p> <p>The Committee reviewed External Auditor's Management Letter and Management's responses thereto</p> <p>j. Steps taken to review the Internal Audit functions and review major findings of internal audit and management responses thereto</p> <p>Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the Company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme</p> <p>The Committee annually reviewed the performance appraisal of Head of the Audit and Committee's approval is required for the appointment, termination or transfer of Head of Internal Audit, senior internal audit staff and outsourced service providers of the internal audit function</p> <p>The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care</p> <p>k. Internal Investigations</p> <p>The Committee reviews major findings of internal investigations with recommendations of the management</p> <p>l. Attendance to Committee Meetings</p> <p>The Chairman, Deputy Managing Director, GM (Finance), Chief Strategy Officer and other senior management team members also attended Committee meetings by invitation as and when required. On the invitation of the Audit Committee, Company's External Auditors attended four Committee meetings during the year</p>

Corporate Governance

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Audit Committee	8 (2) (a) to 8 (2) (q)	<p>m. Authority to investigate matters with in Term of References The Committee possesses the authority to investigate internally any matter within the scope of the Audit Committee Charter relating to the financial and other related affairs of the Company. The Committee has the authority to access information and mobilize necessary resources including obtaining independent professional advice as necessary</p> <p>n. Committee Meetings The Audit Committee met 7 times during the year 2021/22 and notice of the meeting with the agenda items to be discussed was circulated prior to each meeting. The meeting minutes are approved by the Chairman-AC</p> <p>o. Annual Report Disclosure Please refer Audit Committee Report given in page 104 to 106 for details of activities, number of audit committee meetings and details of attendance of each individual member.</p> <p>p. Audit Committee Meeting Minutes The Deputy General Manager – Internal Audit functions as Secretary to the Audit Committee and keeps record of detailed minutes of the audit committee meetings</p> <p>q. Code of Conduct of Employees The Committee obtained confirmation and reviewed whether the "Code of Conduct of Employees" was communicated to the employees. The whistle blowing procedure of the possible improprieties in financial reporting, internal control or other matters by the employees is detailed in "Code of Conduct of Employees"</p>

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Integrated Risk Management Committee	8 (3) (a) to 8 (3) (h)	<p>Complied with</p> <p>The Integrated Risk Management Committee (IRMC) comprises four Non-executive Directors and management representatives including CEO/MD, Executive Directors and other Management Representatives.</p> <p>The IRMC has established quantitative and qualitative risk indicators and if such limits are exceeded prompt corrective actions are taken.</p> <p>The IRMC met quarterly. Minutes of IRMC meeting including discussions and conclusions reached at such meetings and risk assessment report are circulated electronically within 7 days of each meeting to the Board of Directors seeking their views, concurrence and specific directions.</p> <p>Head of Compliance - Anti Money Laundering / Customer Due Diligence, reports the compliance status of the Company. A Compliance Statement covering Directions, Rules and Regulations issued under the Finance Business Act No. 42 of 2011, Rules and Regulations of the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange, Provisions contained in the Companies Act No. 07 of 2007, Inland Revenue Act No. 24 of 2017 and other various statutory requirements is submitted to the Board monthly.</p> <p>Please refer the Integrated Risk Management Committee Report given on page 103 for details.</p>
9. RELATED PARTY TRANSACTIONS		
Avoiding conflicts of interest in related party transactions and favourable treatment	9 (2) to 9 (4)	<p>Complied with</p> <p>Board members are required to make declarations in respect of related parties at the time of appointment and subsequently on a quarterly basis.</p> <p>Each Director and KMP will notify the Board of Directors and the Company Secretary of any interests that such person or an immediate family member of such person has or may have in a Related Party Transaction and shall include a description of the transaction and the amount.</p> <p>To further strengthen the monitoring mechanism of related party transactions, a Board approved Related Party Transaction Policy and a Related Party Transactions Review Committee are in place. The objectives of which are to:</p> <ol style="list-style-type: none"> 1. encourage transparency with a view to facilitating informed decisions 2. conform to disclosure requirements and exercise good governance on related party transactions, and 3. ensure that any financial transaction / benefit is on terms that are reasonable in the circumstances if the entity and the related party were dealing at arm's length. <p>The Board approved Related Party Transaction Policy details the formal process to be followed on "dealing with conflict of interest" to avoid any conflict of interest that may arise from any transaction of the finance company with a related party.</p> <p>Please refer section D 1.8 of the CA Sri Lanka code table on page 59 for details.</p>

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Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation												
10. DISCLOSURES														
Financial reporting, Statutory and Regulatory reporting	10 (1)	<p>Complied with</p> <p>The financial statements for the year ended 31st March 2022 and the bi-annual financial statements are in conformity with all rules and regulatory requirements and applicable accounting standards and have been published in all three languages in the newspapers.</p>												
Minimum disclosure in the Annual Report	10 (2)	<p>Complied with</p> <ol style="list-style-type: none"> A statement to the effect that the 2021/22 annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements has been given in the Directors' Responsibility Statement for Financial Reporting on page 101. Directors Report on effectiveness of the internal control system over financial reporting is given under the "Directors' Statement of Internal Control" on pages 107 to 108. Independent Assurance Report is issued by the External Auditor on effectiveness of Internal Controls over Financial Reporting based on "SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Controls" issued by CA Sri Lanka. Please refer External Auditor's Independent Assurance Report on the Directors' Statement on Internal Control on page 109. Details of the Directors are given on pages 14 to 17. Directors' remuneration is disclosed on page 168. Deposits made by the Directors are given in note no. 45 of the financial statements on page 225. Fees and Remuneration paid to the Directors in total is given in note no. 18 of the financial statements on page 168. The net accommodation outstanding from the related parties is given below as a percentage of capital funds. <table border="1"> <thead> <tr> <th>Related Party Category</th><th>Amount (Rs. Mn.)</th><th>As a % of Capital Funds</th></tr> </thead> <tbody> <tr> <td>1. Subsidiaries</td><td>10.65</td><td>0.026%</td></tr> <tr> <td>2. Associates</td><td>2,508.93</td><td>6.050%</td></tr> <tr> <td>3. Key Management Personnel</td><td>1.11</td><td>0.003%</td></tr> </tbody> </table>	Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds	1. Subsidiaries	10.65	0.026%	2. Associates	2,508.93	6.050%	3. Key Management Personnel	1.11	0.003%
Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds												
1. Subsidiaries	10.65	0.026%												
2. Associates	2,508.93	6.050%												
3. Key Management Personnel	1.11	0.003%												

Corporate Governance Principles	Section Ref.	Principle, Compliance and Implementation
Minimum disclosure in the Annual Report	10 (2)	<p>g. Transactions with Key Management Personnel such as remuneration paid, accommodation granted, deposits made are given in note no. 60 of the financial statements on pages 238 to 241. Investment made by the KMPs in the Company amounts to 37,237,012 ordinary shares.</p> <p>h. There were no instances of non-compliance to prudential requirements, regulations and laws. There was no material non-compliance with internal controls.</p> <p>i. There were no supervisory concerns on lapses in risk management, noncompliance with the Act and rules and directions that have been pointed out by the Director - SNBFI and requested by the Monetary Board to be disclosed to the public.</p> <p>j. The external auditor has performed procedures set out in "Sri Lanka Related Services Practice Statement 4752" issued by the Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Corporate Governance directive. External auditor's findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported above by the Board.</p>

SECTION THREE

CONTINUING LISTING RULES SECTION 7.10 ON CORPORATE GOVERNANCE OF THE COLOMBO STOCK EXCHANGE

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed on the Colombo Stock Exchange to publish a Table in the Annual Report, confirming that as at the date of the Annual Report they comply with the Corporate Governance rules. The rule addresses the following areas;

- ✎ Non-executive Directors,
- ✎ Independent Directors,
- ✎ Disclosures relating to Directors,
- ✎ Remuneration Committee,
- ✎ Audit Committee.

Corporate Governance Principles	CSE Rule Reference	Compliant status	Level of Compliance
Non-executive Directors	7.10.1 (a) Composition	Compliant	Half the Board Members are Non-executives, which is more than the requirement of the rule.
	7.10.2 (a) Independent Directors	Compliant	Half the Board Members are Non-executives and more than one third of them are independent as per the Listing Rule.
	7.10.2 (b) Declaration	Compliant	All Non-executive Directors have submitted their independence declaration as per the requirements.
Disclosures relating to Directors	7.10.3 (a) Determining independence	Compliant	Declarations of Independence by the Directors were assessed by the full Board. The Directors who are independent are disclosed on pages 14 to 17.
	7.10.3 (b)	Compliant	Circumstances did not arise for the Board to decide a Director as Independent beyond the criteria set by this rule.
	7.10.3 (c) Biography	Compliant	Please refer pages 14 to 17 for the brief biography of each Director.
	7.10.3 (d) New appointments	Compliant	Information relating to new appointments to the Board is disclosed to the Colombo Stock Exchange, when appointments are made.
Remuneration Committee	7.10.5 (a) Composition	Compliant	The Remuneration Committee solely comprises of Non-executive Directors.
	7.10.5 (b) Function	Compliant	Please refer to the Remuneration Committee report on page 102 for details of the functions of the Committee.
	7.10.5 (c) Disclosure in the annual report	Compliant	The report of the Remuneration Committee is given on page 102 and the remuneration paid to Directors is given in note no. 18 to the financial statements on page 168.
Audit Committee	7.10.6 (a) Composition	Compliant	As at the year end, the Audit Committee comprises of three Non-executive Directors and majority of them are independent.
	7.10.6 (b) Function	Compliant	Functions of the Audit Committee are given in detail in the Audit Committee Report on pages 104 to 106.
	7.10.6 (c) Disclosures in the Annual Report	Compliant	The names of the Directors comprising the Audit Committee and the basis of determination of independence of the Auditor are given in the Audit Committee report on pages 104 to 106.

MEETINGS

In 2021/22, fourteen (14) Board Meetings were scheduled and individual attendance by Directors at these meetings and sub-committee Attendance is shown in the following table.

Names	Directorship Status	Board	Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
Number of meetings held		14	7	4	1	1	4
Mr. A. D. B. Talwatte	Chairman/Independent Non-executive Director	14/14	7/7 ^(d)	4/4 ^(d)	1/1	1/1	4/4
Mr.E.H. Wijenaike	Managing Director	14/14	-	4/4	1/1 ^(d)	1/1 ^(d)	4/4
Mr.G.S.N. Peiris ^(a)	Director (Finance)	4/4	1/1 ^(d)	1/1	-	-	-
Mr.A.K. Gunaratne	Deputy Managing Director/ Deputy Chief Executive Officer	14/14	7/7 ^(d)	4/4	-	-	4/4
Mr.D.P.de Silva	Director/ Chief Operating Officer	13/14	-	4/4	-	-	-
Dr. (Mrs.) A.D.N. de Zoysa	Independent Non-executive Director	14/14	7/7	4/4	1/1	1/1	-
Mr. A. R. Fernando ^(e)	Non-independent Non-executive Director	14/14	7/7	4/4	1/1	1/1	-
Mr. C.K. Hettiarachchi	Director (Marketing)	14/14	-	4/4	-	-	-
Mr. K.B. Herath	Independent Non-executive Director	13/14	-	3/4	-	-	4/4
Mr. Manjula Hiranya De Silva	Independent Non-executive Director	14/14	7/7	4/4	-	1/1	3/4
Mr.C.S. Hettiarachchi ^(b)	Director (Corporate Affairs)	10/10	-	2/3 ^(c)	-	-	-

(a) Mr. G.S.N. Peiris, relinquished his duties on 30th June 2021

(b) Mr. C.S. Hettiarachchi was appointed to the Board on 1st July 2021

(c) Mr. C.S. Hettiarachchi has been a member of the IRMC in his capacity as GM (Legal) and was appointed as a Director w.e.f.1st July 2021.

(d) Attended by invitation

(e) Mr. A. R. Fernando has served the board as an Independent Non - Executive director and a Non - Executive director of Nations Trust Bank ("NTB"), an associate company. The nature of Mr. A R Fernando 's directorship in the company has changed from an Independent Non-Executive director to Non-Independent Non - Executive director with effect from 05th January 2022 in accordance with section 4 (4) (f) (ii) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 of the Central Bank of Sri Lanka upon the appointment of Mr. C K Hettiarachchi (Executive Director of the Company) to the board of NTB as a Non - Executive Director.

Corporate Social Responsibility



The launch of the Digital Learning Hub was an important aspect for the staff, as most of the mandatory programs were uploaded for the employees to learn and update themselves at their own pace and convenience, maintaining the safety protocols.



The Company makes a conscious effort to integrate corporate social responsibility into its business activities whenever possible and allowing the key stakeholders and communities to prosper together with the Company.

The prolonged adverse impact of the COVID-19 pandemic and travelling restrictions imposed along with the macro-economic volatility resulted in increased cost of living and financial distress to the customers. The Company took early initiatives to engage with adversely impacted customers well in advance and offer flexible repayment plans to service their debt in a sustainable manner.

The Company also endeavoured to provide timely service to customers and respond to inquiries during the lockdowns through the call center, company website, CF Click mobile application, emails and social media.

During the year the Company entered in to a joint training agreement with International Finance Corporation (IFC) with the objective of developing the financial and business management skills of customers engaged in the small and medium sized enterprise sector.

Despite the significant challenges faced in 2021-22, the Company continued to invest in the health and safety of employees, employee training and development, employee welfare, educational needs, health care sector and the environment.

SISU ATHWELA EDUCATIONAL PROGRAMME

The Company continued to contribute to the educational requirements of students from rural areas through the "Sisu Athwela" educational support programme. The students selected for the programme are provided with an annual supply of stationery, books, uniforms, shoes and a monthly financial grant for the entirety of their schooling period.

Currently a total of 187 students from 162 Schools island wide are attached to the "Sisu Athwela" educational support programme, ranging from Grade 7 to Advanced Level. The project has been a tremendous success, enabling CF to foster relationships with not only the children and their families but also to form strong bonds with the surrounding community.



EMPLOYEE WELLBEING

With the COVID-19 Delta strain becoming prevalent in the country during the year, the Company took immediate steps to protect the health and safety of its employees.

Working from home, roster working arrangements, vaccination programs and immediate isolation were introduced to minimise the risk of infection to employees. During this time all scheduled events were postponed while virtual meetings were held with the support of online platforms. Staff training and induction programmes were also moved into online platforms. The launch of the Digital Learning Hub was an important aspect for the staff, as most of the mandatory programs were uploaded for the employees to learn and update themselves at their own pace and convenience, maintaining the safety protocols.

The Company obtained the services of Dr. Rajiva de Silva Consultant Immunologist to educate staff on safe working arrangements and vaccinations. The awareness created and knowledge sharing on the various vaccines by Dr. de Silva gave the staff the confidence to get themselves and their families vaccinated. The Company was also able to organise a vaccination day for staff who had not taken the booster vaccine with the help and support of the Ministry of Health.

Meanwhile to minimise the disruption to the performance management system due to the remote work arrangement, new qualitative targets were incorporated to the 2021/22 performance review cycle. At the same time, a series of new digital communication tools were launched to enable managers to stay in touch with their teams in order to keep them motivated and engaged in their duties. These new mediums were also used to disseminate information regarding the latest developments on the COVID-19 front and encourage staff to continue to comply with safety protocols while getting vaccinated.

Linking up with hospitals and intermediate care centres ensured that staff that contracted COVID-19 were well taken care and in safe hands. The company was also able to support staff financially through insurance schemes and the Central Finance Benefit Fund while they were undergoing treatment. Steps were taken to implement all recommended sanitisation requirements and other health and safety protocols at all branches and departments, while CCTV monitoring activities were strengthened to ensure required safety procedures were being followed by all staff.

A COVID-19 task force was set up to monitor employees who were placed in quarantine, track and trace their first contacts and a special support mechanism introduced to bring relief to staff members who tested positive.

STAFF TRAINING

The Company was able to adapt to the volatile market conditions and business environment and in contrast to the previous year, was able to provide a greater number of learning opportunities through virtual platforms and in-house facilitators to the employees during the year.

A greater emphasis was placed on sessions of business continuity during pandemic conditions, adjusting to the revised working calendar, managing teams from remote work arrangements, and achieving optimal performance. Due to the pandemic guidelines and regulations governed by health officials, physical classroom training programs were limited. Mandatory employee refresher programs such as Anti Money Laundering and Financial Customer Protection Framework were held through virtual platforms to ensure compliance with regulatory requirements of the Central Bank of Sri Lanka.



In addition to these learning interventions, Central Finance initiated the very first development center assessment process in the history of the Company, in order to identify and monitor the developmental aspects of the company's top talent. 35 exceptional performers were selected, based on their potential

Corporate Social Responsibility

and performance, to undergo series of assessments to determine their level of alignment with the company's desired competency levels. The next stage will focus on the individual training development plans for each participant and the monitoring of their progress over the next two years.

Credit management qualifications were also introduced as an additional significant learning intervention by the Company. With the affiliation of Sri Lanka Institute of Credit Management, a fully customised certification was organised and delivered to a selected group of branch managers in order to expand their credit knowledge and to recognise their outstanding performance.

The Company's next level of training and development, CF Digital Learning Hub, was formally launched during the year. Employees were assigned the initial training modules of company induction, customer service essentials, IT security, anti-money laundering, company code of conduct, and financial customer protection framework. We have identified and recognised the significance of a robust e-learning platform, which provides our employees with consistent knowledge enhancement opportunities at their convenience.

COMPETITIVE REMUNERATION

Creating a work environment for employees where their career objectives are aligned with the corporate objective is an integral part of the CF's Human Resources Management strategy. CF strives to provide a robust work environment for employees, where they can find the opportunity to realise their potential for personal and professional growth.

The Company provides competitive rewards and employee benefit schemes and conducts an annual market survey on compensation and benefits in order to benchmark staff remuneration against the industry. As part of our ongoing efforts to improve the benefits offered to our employees in line with the market, we grant annual salary increments based on the cost of living index and reward staff for good performance in the form of bonuses and incentive schemes.

EMPLOYEE BENEFIT SCHEMES

CF has initiated numerous support initiatives for staff and their families on various landmarks of their achievements. These benefits include financial support and performance grants for children of staff members such as Grade 1 admissions, grants for top achievers of Year 5 Scholarship, G.C.E Ordinary and Advanced Level Examinations and obtaining entrance to local universities.

EDUCATIONAL GRANTS

Supporting continuous professional development of employees has been a key element of the Company's corporate culture. The company offers an educational grant, which is available for employees who wish to pursue higher education, receive membership from a recognised professional body or to obtain postgraduate qualification from both local and overseas institutions. These initiatives result in mutual benefits to both the organisation and the staff member with respect to their career progression.

THE CHAIRMAN'S RELIEF FUND

While CF staff members are provided with a comprehensive insurance cover for hospitalisation, the Chairman's Relief Fund further extends a helping hand to compensate any expenses that go beyond the limits of the insurance cover. This fund is also available to employees who seek financial assistance for critical illnesses. Over the years, the fund has assisted many CF employees and their family members to manage their major medical expenses with minimum impact on their personal finances.



LONG SERVICE AWARDS

Long Service Awards are aimed at recognizing those employees with 25 years of dedicated service with the company. This is an important event in CF's annual calendar and to date, 223 employees have received this award.

Age Distribution 2021/22

Age (Yr)	No. of employees	%
18-20	21	1.21%
21-25	244	14.01%
26-30	395	22.69%
31-35	333	19.13%
36-40	278	15.97%
41-45	189	10.86%
46-50	126	7.24%
51-55	96	5.51%
56-60	29	1.67%
Above 60	30	1.72%
Total	1741	100.00%

DIVERSITY AND INCLUSION

The company provides equal opportunities to its employees irrespective of gender and an excellent working environment at all times. We aim to foster a culture that supports and encourages females in the workplace to utilise their skills and grow their talent.

As at 31st March 2022, CF's total workforce reached 1,741 employees of which 27% were female.

Gender Distribution 2021/2022

Gender	No. of employees	%
Male	1272	73%
Female	469	27%
Total Staff	1741	100

Corporate Social Responsibility

PERFORMANCE MANAGEMENT

The Company has set competitive rewards and employee benefit schemes which includes attractive remuneration packages determined by the remuneration committee based on an effective employee evaluation scheme which market and business alignment, job value and demands, individual competencies and employee performances.

The Company's approach to performance management aims to motivate and reward employees for their efforts towards driving the Company's strategic objectives. Annual target setting is the first step of our performance management mechanism, followed by the year-end performance appraisal to evaluate employee performance against pre-determined targets. This process applies to all CF's employees without exception. The success of CF's performance management system is based on regular constructive feedback and open communication between managers and team members.



HEALTH SECTOR

The health services sector faced the biggest challenge ever with the onset of the pandemic. The Company continued to provide support to the National Hospital in Kandy by donating urgently needed medical equipment, such as Multipara monitors to treat COVID patients to Division of Biomedical Engineering Services and blood warmers, CPAP masks and feeding pumps to the Department of Neuroanaesthesia and ICU. The Company was also able to donate a Biometry machine to HelpAge Eye Hospital for the benefit of the senior citizens seeking medical assistance from the HelpAge.



ENVIRONMENTAL SUSTAINABILITY

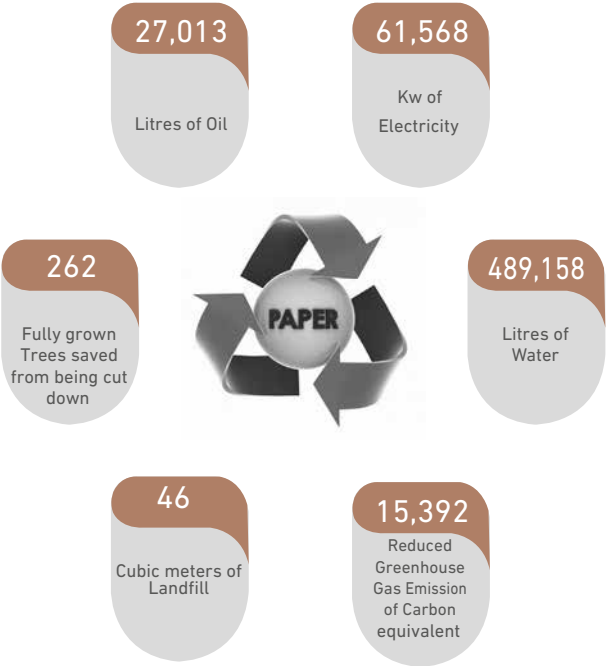
The already established solar panels at Vauxhall Street office premises have resulted in the generation of 67.8 Mw of electricity contributing to a reduction of 48.3 Tons of Carbon Dioxide being released into the atmosphere.

Recycling paper waste is another green initiative that CF has been pursuing over the years. During the year, 15.4 Metric Tons of waste paper has been collected and recycled from branches located island wide.



Business processes have also been streamlined over time to ensure reduction in the usage of paper forms and documents by switching to electronic documentation.

The environmental savings of recycling paper translates in to:



15.4 Mt of Waste Paper - Recycled

Financial Calendar 2021/22

First Quarter Results 2021/22	12th August 2021
Final Dividend 2020/21- Cash dividend paid	09th July 2021
Scrip shares listed	13th July 2021
Second Quarter Results 2021/22	12th November 2021
Interim Dividend 2021/22 - paid	31st December 2021
Third Quarter Results 2021/22	14th February 2022
Fourth Quarter Results 2021/22	25th May 2022
Annual Report 2021/22	07th June 2022
64th Annual General Meeting	30th June 2022
Final Dividend 2021/22 - proposed and to be paid	08th July 2022

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Annual Report of the Board of Directors

The directors have pleasure in presenting to the members their report together with the audited financial statements of Central Finance Company PLC, and the audited financial statements of the group for the year ended 31st March 2022.

Central Finance Company PLC (the "Company") is a public limited liability company, incorporated in Sri Lanka on 05th December 1957, quoted on the Colombo Stock Exchange in 1969, registered as a finance company under the Finance Business Act No. 42 of 2011, registered under the Finance Leasing Act No. 56 of 2000, and the Companies Act No. 07 of 2007.

SUBSIDIARIES

Name of the company	Principal business activities
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings
CF Insurance Brokers (Pvt) Ltd.	Insurance broking
Kandy Private Hospitals Ltd.	Provision of healthcare services
Dehigama Hotels Company Ltd.	Renting of commercial property
CF Growth Fund Ltd.	Investment company
Central Mineral Industries (Pvt) Ltd.	Manufacture of mineral products
Central Transport and Travels Ltd.	Hiring of vehicles
Central Developments Ltd.	Investment company
Central Homes (Pvt) Ltd.	Property development and sale of real estate
Expanded Plastic Products (Pvt) Ltd.	Investment company
Hedges Court Residencies (Pvt) Ltd.	Construction and sale of apartments
Central Construction and Development (Pvt) Ltd.	Investment company

ASSOCIATES

Name of the company	Principal business activities
Nations Trust Bank PLC	Licensed commercial bank
Tea Smallholder Factories PLC	Processing green leaf purchased from tea small holders and the sale of processed black tea

The Group entered into a share sales and purchase agreement with Hatton Plantations PLC on 21st June 2021 to sell its 56.79% investment in subsidiary Mark Marine Services (Pvt) Ltd. (hydro power generation company) held through the parent company together with the fully owned subsidiary, CF Insurance Brokers (Pvt) Ltd. for a consideration of Rs.270.77 Million and the divestment was completed on 30th September 2021.

Capital Suisse Asia Ltd. (Investment Company) an associate company of the group was liquidated in April 2021.

There were no significant changes in the nature of the principal business activities of the Company and the group during the financial year under review other than the above.

The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The Board of Directors approved these financial statements on 24th May 2022.

PRINCIPAL BUSINESS ACTIVITIES AND REVIEW OF OPERATIONS COMPANY

The principal business activities of the company are leasing, loans, operating leases, deposit mobilisation, and provision of other financial services.

REVIEW OF BUSINESS

A review of the Company and group operations during the year, with comments on the financial results and future developments is contained in the managing director's report on pages 7 to 13 and the management discussion and analysis on pages 19 to 24 of the annual report, which form an integral part of the directors' report.

FINANCIAL STATEMENTS

The financial statements of the group and the Company are given on pages 116 to 244 of the annual report.

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 the state of its affairs. The directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Inland Revenue Act No.24 of 2017 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The detailed report is given on page 101 of the annual report.

AUDITOR'S REPORT

The auditor's report on the financial statements is given on pages 110 to 115 of the annual report.

SIGNIFICANT ACCOUNTING POLICIES

The group and the Company prepare the financial statements in accordance with Sri Lanka Accounting Standards (LKASs/ SLFRSs). Significant accounting policies adopted in the preparation of the financial statements are given on pages 122 to 244 of the annual report.

GOING CONCERN

The board of directors is satisfied that the company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

INCOME

Income of the group excluding associates during the year was Rs. 24,580.23 Million (2020/21 – Rs. 23,994.27 Million), an analysis of which is given in note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

Total comprehensive income of the Company was Rs.5,352.21 Million (2020/21 – Rs.4,317.94 Million) whilst the group comprehensive income attributable to equity holders of the parent was Rs. 6,619.78 Million (2020/21 – Rs.5,726.52 Million).

A detailed description of the results and appropriations are given below:

	2021/22 (Rs.'000)	2020/21 (Rs.'000)
Group profit for the year before income tax after payment of all expenses, provision for depreciation, taxes on financial services and impairment on loans and other credit losses	9,649,482	6,804,128
Provision for taxation	(2,373,343)	(1,024,160)
Group profit after taxation	7,276,139	5,779,968
Other comprehensive income net of income tax		
Actuarial gains/(losses) on defined benefit plans	7,369	(11,998)
Deferred tax impact on revaluation reserve due to change of income tax rate	-	328,748
Share of other comprehensive income of associates	(386,450)	(88,408)
Total comprehensive income for the year	6,897,058	6,008,310
Non-controlling interest	(277,275)	(281,790)
Attributable to equity holders of the company	6,619,783	5,726,520
Other comprehensive income net of tax relating to :		
Revaluation reserve	(38,532)	(286,670)
OCI reserve	426,030	84,229
	7,007,281	5,524,079
Un-appropriated profit brought forward at the beginning of the year	16,266,493	11,157,205
Reversal of revaluation surplus on disposal of land	156,611	-
Acquisition of non-controlling interest of a subsidiary	72	-
Unclaimed dividends written back	20,010	140
Transfer from revaluation reserve	8,104	8,102
Balance available for appropriation	23,458,571	16,689,526
Appropriations		
Transfer to reserve fund	(344,000)	(158,000)
Dividends distributed during the year	(1,125,119)	(265,033)
Un-appropriated profit to be carried forward	21,989,452	16,266,493

Annual Report of the Board of Directors

RESERVES

The total group reserves as at 31st March 2022 amounted to Rs. 53,605.16 Million (31st March 2021 - Rs. 48,090.42 Million) details of which are given in Notes 50 to 55 to the financial statements.

CORPORATE DONATIONS

During the year, the Company made donations amounting to Rs. 5.35 Million (2020/21 Rs. 2.02 Million) in terms of the resolution passed at the last annual general meeting ("AGM"). This includes donations of Rs.5.33 Million made to Government approved charities (2020/21 Rs.2.02 Million). Total donations of the group during the year amounted to Rs. 5.86 Million (2020/21 - Rs. 2.04 Million) of which Rs.5.33 Million was made to Government approved charities. (2020/21 Rs.2.01 Million).

STATUTORY PAYMENTS

The directors are satisfied that statutory payments due to the Government and in relation to the employees have been made in full and on time to the best of their knowledge and belief.

DIVIDENDS

The directors recommend the payment of a final dividend of Rs. 2.00 per share payable by cash for the year ended 31st March 2022 (2020/21 - Rs.3.50 per share of which Rs. 2.30 per share payable in cash and Rs.1.20 per share by way of a scrip dividend through the allotment of new shares) subject to obtaining the approval of the shareholders at the forthcoming AGM. The total dividend pay-out amounts to Rs. 795.74 Million for the year (2020/21 -Rs.784.09 Million).

The directors have confirmed that the Company satisfies the solvency requirement under Section 56 of the Companies Act No.07 of 2007 for the final dividend proposed.

Finance Companies are required to obtain prior approval of the Central Bank of Sri Lanka for the payment of dividends. The directors confirm that they have obtained the approval of the Central Bank of Sri Lanka prior to recommending the final dividend of Rs. 2.00 per share for the year ended 31st March 2022.

PROPERTY, PLANT AND EQUIPMENT

The total capital expenditure with regard to property, plant and equipment, intangible assets and capital work-in progress of the company and the group amounted to Rs. 590.58 Million and Rs.759.19 Million respectively. (2020/21 - Company Rs. 489.75 Million and group Rs. 565.41 Million) details of which are given in notes 37 and 39 to the financial statements. The value of capital commitments as at year end is disclosed in Note 57 to the financial statements.

MARKET VALUE OF FREEHOLD PROPERTIES

The value of freehold properties owned by the group as at 31st March 2022 is included in the accounts at Rs. 7,472.39 Million (31st March 2021 - Rs. 7,485.03 Million) based on valuations carried out by Chartered Valuers /Licensed Surveyors in March 2019.

The value of investment property owned by the group as at 31 March 2022 is included in the accounts at Rs. 78.8 Million (31st March 2021-Rs. 303.8 Million) based on valuations carried out by Chartered Valuers /Licensed Surveyors in March 2022.

Details of the location, extent, valuations and number of buildings are provided in Note 37 and 36 to the financial statements.

The directors are of the opinion that this value is not in excess of the current market value.

EVENTS AFTER THE REPORTING DATE

No events of a material nature have occurred subsequent to the date of the statement of financial position requiring adjustments to the financial statements, other than those disclosed in Note 59 to the financial statements.

STATED CAPITAL AND DEBENTURES

The Company did not raise funds through a public issue, rights issue or a public placement during the year ended 31st March 2022. The stated capital of the Company as at 31st March 2022 was Rs. 2,230.28 Million (Rs. 1,961.59 Million as at 31st March 2021) consisting of 227,354,462 ordinary voting shares (224,024,987 ordinary voting shares as at 31st March 2021). The number of shares in issue increased from 224,024,987 ordinary voting shares to 227,354,462 ordinary voting shares as a result of the issue of shares for the scrip dividend in July 2021.

The Company did not make any debenture issues during the year ended 31st March 2022. The Company had issued listed debentures amounting to Rs.6.5 billion (2013- Rs.4 billion and 2015-Rs.2.5 billion) which were fully paid off by June 2020.

SHAREHOLDINGS

As at 31st March 2022, there were 4,397 registered shareholders and the distribution of shareholding is indicated on page 251.

INFORMATION ON SHARES AND DEBENTURES

Information relating to earnings, dividends, net assets and market value per share is given under financial highlights on pages 2 to 3.

Information pertaining to trading in the Company's shares is given on pages 252 to 253 of the annual report.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31st March 2022 together with an analysis of the shareholdings are given on page 252.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all shareholders are treated equitably.

THE BOARD OF DIRECTORS

The board of directors of the company consists of ten directors with wide financial and commercial knowledge and experience. The qualifications and experience of the directors are given on pages 14 to 17 of the annual report.

The following were the directors of the Company as at the financial year ended 31st March 2022:

Mr. A.D.B. Talwatte - *(Independent Non-Executive Chairman)*

Mr. E. H. Wijenaike - *(Managing Director/CEO)*

Mr. A. K. Gunaratne - *(Deputy Managing Director/Deputy CEO)*

Mr. D. P. De Silva - *(Chief Operating Officer/Executive Director)*

Dr. (Mrs) A. D. N. de Zoysa - *(Independent Non-Executive Director)*

Mr. A. R. Fernando - *(Non-Executive Director)*

Mr. C. K. Hettiarachchi - *(Executive Director)*

Mr. K. B. Herath - *(Independent Non-Executive Director)*

Mr. M. H. de Silva - *(Independent Non-Executive Director)*

Mr. C.S.Hettiarachchi - *(Executive Director)*

RETIREMENTS / NEW APPOINTMENTS DURING THE FINANCIAL YEAR

Mr. G.S.N.Peiris, Executive Director relinquished his duties on 30.06.2021 in accordance with the succession plan of the Company.

In order to fill the casual vacancy arising from the resignation of Mr. G.S.N.Peiris, Mr. C.S.Hettiarachchi was appointed to the board of directors as Executive Director (Corporate Affairs) with effect from 01.07.2021.

The Company has obtained the approval of the Central Bank of Sri Lanka for the above mentioned resignation/appointment in terms of the provisions of the Finance Business Act No. 42 of 2011.

RECOMMENDATIONS FOR RE-ELECTION AT THE AGM

Mr. K.B.Herath and Mr. M.H.de Silva retire by rotation in terms of Article 105 of the Articles of Association of the Company and being eligible has offered themselves for re-election at the forthcoming Annual General Meeting.

Mr. C.S. Hettiarachchi, who was appointed to the Board to fill the vacancy during the financial year 2021/22, is eligible for election under Article 111 of the Articles of Association of the Company.

The Board with the participation of members of the Nominations Committee, having considered the performance and contribution made by each of the directors seeking election as described herein towards the overall discharge of the responsibilities of the Board, unanimously resolved that Messrs K.B. Herath and M.H. De Silva be recommended for re-election and Mr. C.S. Hettiarachchi be recommended for election at the next Annual General Meeting of the Company with the approval of the Central Bank of Sri Lanka.

Accordingly, the company has submitted requisite documents under the above direction to the Central Bank of Sri Lanka (CBSL) twenty working days prior to the date of the Annual General Meeting seeking the approval for above re-elections and election.

APPOINTMENT OF DIRECTORS TO THE BOARD IN ACCORDANCE WITH THE FINANCE BUSINESS ACT DIRECTION NO. 06 OF 2021 – ASSESSMENT OF FITNESS & PROPRIETY OF KEY RESPONSIBLE PERSONS

Determination whether all directors are fit and proper persons to hold office, as specified in the Finance Business Act Direction No.6 of 2021, and the appointment of Directors to the Board in accordance with the Finance Business Act Direction No. 06 of 2021.

The Board noted that the Nomination Committee having assessed the fitness and propriety of each of the existing Directors as required by the Finance Business Act Direction No.6 of 2021, and taking into consideration the knowledge, work specialization and experience of each director has recommended that they are fit and proper persons to hold office as Directors of the Company.

Accordingly, the company has submitted requisite documents under the above direction to the Central Bank of Sri Lanka (CBSL) twenty working days prior to the date of the Annual General Meeting seeking the approval for appointment of directors to the Board in accordance with the Finance Business Act Direction No. 06 of 2021.

Annual Report of the Board of Directors

LIST OF DIRECTORATES OF SUBSIDIARIES AND ASSOCIATES

Details of the directors of the subsidiaries and associates of the Company are given on the pages 246 to 248 of the annual report.

BOARD SUB-COMMITTEES

The board of directors of the Company has formed the following sub committees;

AUDIT COMMITTEE

Mr. M.H. de Silva (Chairman) - Independent Non-Executive Director

Dr. (Mrs) A.D.N. de Zoysa - Independent Non-Executive Director

Mr. A.R. Fernando - Non-Executive Director

The report of the audit committee is given on pages 104 to 106 of the annual report.

REMUNERATION COMMITTEE

Mr. A.D.B. Talwatte (Chairman) - Independent Non-executive Director

Dr. (Mrs) A.D.N. de Zoysa - Independent Non-executive Director

Mr. A.R. Fernando - Non-executive Director

The report of the remuneration committee is given on page 102 of the annual report.

INTEGRATED RISK MANAGEMENT COMMITTEE

Mr. A.R. Fernando (Chairman) - Non-executive Director

Dr. (Mrs) A. D. N. de Zoysa - Independent Non-executive Director

Mr. K.B. Herath - Independent Non-executive Director

Mr. M.H. de Silva - Independent Non-executive Director

Mr. E.H. Wijenaike - Managing Director

Mr. A.K. Gunaratne - Deputy Managing Director

Mr. D.P. de Silva - Executive Director/Chief Operating Officer

Mr. C.K. Hettiarachchi - Executive Director - Marketing

Mr. C.S.Hettiarachchi - Executive Director - Corporate Affairs

The report of the integrated risk management committee is given on page 103 of the annual report.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. A.D.B. Talwatte (Chairman) - Independent Non-executive Director

Mr. K.B. Herath - Independent Non-executive Director

Mr. M.H. de Silva - Independent Non-executive Director

Mr. E. H. Wijenaike - Managing Director

Mr. A.K. Gunaratne - Deputy Managing Director

The report of the related party transaction review committee is given on page 100 of the annual report.

NOMINATION COMMITTEE

Mr. A.D.B. Talwatte (Chairman) - Independent Non-executive Director

Dr. (Mrs) A.D.N. de Zoysa - Independent Non-executive Director

Mr. M.H. de Silva - Independent Non-executive Director

Mr. A.R. Fernando - Non-executive Director

The report of the Nomination Committee is given on page 99 of the annual report.

INTERESTS REGISTER

The interests register is maintained by the Company, as required under the Companies Act No. 07 of 2007. All directors have made declarations as provided for in Section 192 (1) and (2) of the Companies Act No. 07 of 2007. The related entries were made in the interests register during the year under review.

DIRECTORS' INTERESTS IN SHARES

The directors of the Company and its subsidiaries who have relevant interest in the shares of the respective companies have disclosed their shareholdings and any acquisitions/disposals to their respective boards in compliance with Section 200 of the Companies Act No. 7 of 2007. The shareholdings of the directors and their spouses who own shares of the Company at the beginning and at the end of the year were as follows:

	31st March 2022	31st March 2021
Mr. E.H. Wijenaike	35,039,742	34,526,340
Mr. A.K. Gunaratne	1,810,661	1,784,132
Mr. D.P. de Silva	225,117	221,819
Mr. C.K. Hettiarachchi	134,399	132,340
Mr. C.S. Hettiarachchi	27,093	26,697
Spouses		
Mrs. A.J. Wijenaike	7,091,476	6,987,752
Mrs. W.W.P.N Wegiriya	215	212

Given below are the directors' shareholdings in group companies as at 31st March 2022

	31.03.2022	31.03.2021
Central Industries PLC		
Mr. E.H. Wijenaike	39,694	37,706
Nations Trust Bank PLC		
Voting shares		
Mr. E.H. Wijenaike	11,800	11,108
Mr. A.K. Gunaratne	42,887	40,369
Convertible non-voting shares		
Mr. E.H. Wijenaike	2,050	1,934
Mr. A.K. Gunaratne	3,761	3,548
Tea Smallholders Factories PLC		
Mr. E.H. Wijenaike	10,000	10,000
Kandy Private Hospitals Ltd		
Mr. E.H. Wijenaike	7,000	7,000

RELATED PARTY TRANSACTIONS

The directors have disclosed such transactions in terms of Sri Lanka Accounting Standard 24, Related Party Disclosures, and details of the transactions are given in note 60 to the financial statements forming part of the annual report of the board of directors.

The directors confirms that the transactions carried out with the related parties during the year ended 31.03.2022 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and such transactions have been reviewed by the Related Party Transactions Review Committee of the company and observations of the Committee have been communicated to the Board. The directors further confirms that there were no non-current related party transactions exceeding 10% of the equity or 5% of the total assets of the company, whichever is lower, as per the latest audited financial statements of the company, which need to be disclosed in the annual report. Details of the recurrent related party transactions which exceed 10% of the consolidated gross revenue/income of the group as per the latest audited financial statements of the Company are given in note 60 of the financial statements.

TRANSFER PRICING REGULATIONS

It is certified that the Company has complied with the transfer pricing regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. The information pursuant to these regulations is given under certificate produced under Section 107 (2) (a) of the said Act. The directors believe that the transactions

entered into with related parties during the period 01.04.2021 to 31.03.2022 are at arm's length and not prejudicial to the interests of the company and the related party. The transactions are entered into on the basis of a transfer pricing policy adopted by the company.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the group and the Company for the financial year ended 31st March 2022 is given in Note 18 to the financial statements.

APPRAISAL OF BOARD PERFORMANCE

The Company has established an annual self-assessment scheme for the appraisal of the board of directors. Responses to the self-assessment questionnaire are evaluated by the Chairman and recommendations or concerns are discussed with the board of directors and actions taken accordingly where deemed appropriate.

DIRECTORS' INTERESTS IN TRANSACTIONS

The directors of the Company have made the general disclosures provided for in Section 192 (1) and (2) of the Companies Act No. 07 of 2007. Particulars of those transactions are set out on page 245 of the annual report.

INSURANCE AND INDEMNITY

The Company has a directors' and officers' liability insurance policy from Fairfirst Insurance Limited up to a limit of Rs. 350 Million.

CORPORATE GOVERNANCE

The directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of the management and operations of the Company. Accordingly, systems and structures have been introduced and improved from time to time to enhance risk management measures and to improve accountability and transparency. The corporate governance report is given on pages 41 to 83 of the annual report.

INTERNAL CONTROLS

The directors have instituted an effective and comprehensive system of internal controls covering financial operations, compliance, control and risk management required to carry on the business of the company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

Annual Report of the Board of Directors

DIRECTORS STATEMENT OF INTERNAL CONTROL

The directors have issued a report on the internal control mechanism of the Company as per Section 10 of the Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka on Corporate Governance. The directors have confirmed that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

The above report is given on page 107 of the annual report. The directors have also obtained an assurance report from the external auditor on directors' statement of internal control which is given on page 109 of the annual report.

ENVIRONMENT

The Company has not engaged in any activities detrimental to the environment. The Company has used its best efforts to comply with the environmental laws and regulations.

HUMAN RESOURCES

Employment policies of the Company are based on recruiting the best available people, training them to enhance their skills and offering equal career opportunities regardless of gender, race or religion. There were no material issues pertaining to employees and industrial relations pertaining to the company that occurred during the year under review which needs to be disclose.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activities contravening laws and regulations. All officers responsible for ensuring compliance with the provisions of various laws and regulations confirm their compliance to the board of directors on a monthly basis.

AUDITOR

The Audit Committee reviews the appointment of the auditor, its effectiveness, independence and relationship with the Group.

The auditor, KPMG was paid Rs. 3.37 Million as audit fees (2020/21 –Rs.3.37 Million). In addition, they were paid Rs. 1.17 Million (2020/21 –Rs.0.69 Million) for permitted non-audit related services.

Audits of the group companies are handled by KPMG and Ernst & Young. Total fees paid to them during the year for audit and permitted non-audit related services amounted to Rs. 1.37 Million and Rs. 0.23 Million respectively (2020/21 –Rs.1.59 Million and Rs.0.56 Million).

The auditors have confirmed that they do not have any relationships with or interests in the Company or subsidiaries other than with regard to audit and permitted non-audit services.

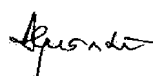
ANNUAL GENERAL MEETING (AGM)

The sixty fourth Annual General Meeting of the Company will be held on 30th June 2022 at 9.30 a.m. online via virtual platform. The relevant notice of meeting is given on page 260.

For and on behalf of the Board of Directors.



E.H. Wijenaike
Managing Director



A.K. Gunaratne
Deputy Managing Director



Corporate Services (Pvt) Ltd.
Company Secretary

24th May 2022

Nomination Committee Report

The Nomination Committee appointed by the Board of Directors is responsible for making recommendations to the Board on all new Board, Board Sub-committee and Key Management Personnel appointments. The Committee also reviews the Board and Key Management Succession Plan to ensure its adequacy to meet the Company's requirements.

COMPOSITION OF THE COMMITTEE

Mr. A. D. B. Talwatte

(Chairman/Independent Non-Executive Director)

Dr. (Mrs.) A. D. N. De Zoysa

(Independent Non-Executive Director)

Mr. A. R. Fernando

(Non-Executive Director)

Mr. M. H. de Silva

(Independent Non-Executive Director)

Individual committee member attendance at the meeting is given on page 83.

SCOPE

The functions of the committee are as follows:

- Ensuring the board approved process is followed for the appointment and re-election of Directors to the Board.
- Regular review of the skills, competency and experience of the Board and Key Management positions to ensure that adequate expertise is available at the Corporate Management Level.
- Ensuring that Board and Key Management are fit and proper persons to hold office as required by the Central Bank of Sri Lanka.
- Regular Review of the succession plan for the Board and Key Management Positions with a view of providing recommendations and advice to the Board regarding such appointments.
- No member of the Nomination Committee participates in deliberations relating to his or her own appointment.

COMMITTEE MEETINGS

The Committee met once during the year on the 27th of August 2021.

The Committee reviewed the company's succession plan for key senior positions as well as the development plan for the identified successors. The Committee also reviewed and ratified the Key Management Personnel of the company.

The Committee recommended the appointment of executive director Mr C.K Hettiarachchi to the Board of Nations Trust Bank with effect from November 2021 to fill a vacancy arising.

The Committee reviewed and ratified the appointment of Chief Financial Officer with effect from 1st December 2021 due to a vacancy arising.

The Committee also reviewed and recommended the replacement of Head of Internal Audit with effect from 1st December 2021 due to a vacancy arising.

The recommendations made by the committee were approved by the board of directors.



A. D. B. Talwatte
Chairman
Nomination Committee

Colombo
24th May 2022

Related Party Transactions Review Committee Report

Related Party Transactions Review Committee (RPTRC) is a board appointed Sub-Committee. The Committee has been established in compliance with the Section 9 of the Continuing Listing Rules of the Colombo Stock Exchange. The objective of the Committee is to review all related party transactions other than those transactions explicitly exempted by the rule.

COMPOSITION OF THE COMMITTEE

The Committee is comprised of a combination of Non-executive and Executive directors.

The members of the RPTRC are as follows:

Mr. A. D. B. Talwatte - *(Independent Non-executive Director) / (Chairman of the Committee)*

Mr. K. B. Herath - *(Independent Non-executive Director)*

Mr. M. H. de. Silva - *(Independent Non-executive Director)*

Mr. E. H. Wijenaiké - *(Managing Director)*

Mr. A. K. Gunaratne - *(Deputy Managing Director)*

COMMITTEE MEETINGS

The Committee met four times to review the transactions related to the financial year and communicated the comments/ observations to the Board of Directors through the minutes of the committee meetings. Details of individual member attendance at the meetings are given on page 83.

Policies and Procedures adopted by the Committee.

- The Committee identified the Key Management Personnel (KMPs) and entities that are related to the reporting entity.
- The Committee requested statements of compliance from the KMPs to ensure all related parties are reported and reviewed in accordance with the rule.
- The Committee reviews inter-company transactions with related entities for compliance with the rules.

- The Committee ensures that written policies and procedures of the company are in conformity with rules and regulations governing related party transactions. The Committee also reviews these policies and procedures on an annual basis or more frequently when need arises.
- The Committee ensures that any director or key management personnel who is a related party, does not participate in any discussion of proposed related party transactions unless such person is requested to do so by the Committee for the purpose of providing information concerning the related party transaction.
- The Committee also ensures that immediate market disclosure, shareholder approval and annual report disclosure of any related party transactions are made in accordance with the applicable rules of the Colombo Stock Exchange.

DECLARATION BY THE BOARD OF DIRECTORS

During the year, the company did not have any related party transactions which required the approval of the shareholders or immediate market disclosure under the Listing Rules. The related party transactions and details are disclosed in note 60 on pages 238 to 241 of the financial statements.



A. D. B. Talwatte

Chairman

Related Party Transactions Review Committee

Colombo

24th May 2022

Directors' Responsibility for Financial Reporting

The directors of Central Finance Company PLC (the "Company") are responsible for the preparation and presentation of the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act No.07 of 2007 (the "Companies Act"), Finance Business Act No.42 of 2011 (the "Finance Business Act") and other statutes, which are applicable in the preparation of financial statements. The financial statements comprise of the statement of financial position as at 31.03.2022, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended together with notes thereto.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2022, incorporated in this report have been prepared in accordance with the Companies Act, Finance Business Act, Sri Lanka Accounting Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange and certified by the Chief Financial Officer of the Company and signed by two (02) directors as required by the Companies Act.

The directors consider that, in preparing the financial statements exhibited on pages 116 to 244 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

The directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and ensure as far as practicable the accuracy and reliability of the records.

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

To the best of the knowledge and belief of the directors, the Company's auditors M/s KPMG, Chartered Accountants have carried out reviews and sample checks on the effectiveness of the system of internal controls, as they consider appropriate and necessary in providing their opinion on the financial statements. M/s KPMG has examined the financial statements made

available together with all other financial records, minutes of shareholders' and directors' meetings and related information, and have expressed their opinion which appears on pages 110 to 115 of the annual report.

The directors have provided the auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the discharge of their responsibilities.

Further, as per the provisions of the Guideline No. 01 of 2013 issued by the Central Bank of Sri Lanka, the Company has obtained the approval of the Director, Department of Supervision of Non-bank Financial Institutions prior to distribution of dividends to the shareholders during the year. The board of directors confirm that they have authorised distribution of dividends upon being satisfied that the Company satisfies the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act, and, as required by Section 56(2) of the Companies Act, have obtained solvency certificates from the auditor, prior to recommending a final dividend of Rupees Two (Rs.2.00) per share by way of a cash dividend for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 30th June 2022.

The directors confirm that, to the best of their knowledge, all taxes, levies and financial obligations of the group have been either paid or adequately provided for in the financial statements.

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

By Order of the Board



Corporate Services (Pvt) Limited
Secretaries

Colombo
24th May 2022

Remuneration Committee Report

The Remuneration Committee appointed by the Board of Directors is responsible for establishing the company's compensation policy for the senior management and overseeing its implementation. The Committee reviews performance and makes recommendations to the Board in respect of the remuneration of the Chief Executive Officer/Managing Director, Executive Directors, Non-Executive Directors and Senior Members of the management.

No Director is involved in deciding his own remuneration.

The Committee also reviews significant human resources policies that could influence the company's performance.

COMPOSITION OF THE COMMITTEE

Mr. A. D. B. Talwatte
(Chairman) / (Independent Non-Executive Director)

Dr. (Mrs.) A. D. N. De Zoysa
(Independent Non-Executive Director)

Mr. A. R. Fernando
(Non-Executive Director)

Individual committee member attendance at the meeting is given on page 83.

SCOPE

The Committee reviews all significant strategic policies and initiatives relating to human resources. The Committee deliberates and recommends to the Board of Directors, annual increments, bonuses and incentives of Executive Directors and the senior management team based on individual and corporate performance. The Committee also reviews salary structures and terms and conditions of service to ensure compatibility with the market. The Managing Director / Chief Executive Officer who is responsible for the overall management of the company attends meetings by invitation and participates in the deliberations except when his own interest, performance and compensation are discussed. An annual market survey is commissioned through Ernst and Young, in order to obtain information on compensation and benefits in comparable companies, to aid in determining remuneration of Directors and other senior management.

POLICY

The policies on compensation and benefits are formulated to ensure that members of the Executive management of the company are provided with appropriate compensation to encourage superior performance. The policy is designed to recognize and reward individual contributions based on its impact on the performance of the company and to ensure that the whole basis of rewards is fair and equitable. The policy aims to attract, motivate and retain talent with the appropriate professional managerial and operational

expertise necessary to achieve the objectives of the company over the foreseeable future. The company's remuneration framework for the Executive Directors and the senior management team is aligned with the long term interests of the company and thereby create and enhance value for all stakeholders of the company.

FEES AND REMUNERATION

All Non-Executive Directors receive a fee for attending meetings and serving on sub-committees. The Non-Executive Director fee structure is reviewed and revised as necessary.

Aggregate remuneration paid to Non-Executive Directors and Executive Directors is disclosed in note 18 to the financial statements on page 156 as per the requirements of section 10 (2) (e) of the Corporate Governance Direction No. 3 of 2008 (And Amendments Thereto) issued under the Finance Business Act No. 42 of 2011.

COMMITTEE MEETINGS

The Committee met once during the year under review on 29th March 2022.

The committee reviewed the annual market survey conducted for the year 2021 and made recommendations to the board on the increments and salary structures applicable to the executive directors and the senior management.

The committee also evaluated the performance of the executive directors and key senior management of the company against their objectives and targets.

The proposals of the committee were ratified by the Board of Directors.



A. D. B. Talwatte
Chairman
Remuneration Committee

Colombo
24th May 2022

Integrated Risk Management Committee Report

The Integrated Risk Management Committee is a Sub-Committee of the Board of Directors established to oversee the risk management aspects of the Company. The Committee composition during the financial year was as follows;

Mr. A. R. Fernando - Chairman - (*Non-executive Director*)

Dr. (Mrs.) A. D. N. De Zoysa - (*Independent Non-executive Director*)

Mr. K. B. Herath - (*Independent Non-executive Director*)

Mr. M. H. de. Silva - (*Independent Non-executive Director*)

The following Management representatives attend meetings;

Mr. E. H. Wijenaike - *Managing Director*

Mr. A. K. Gunaratne - *Deputy Managing Director / Deputy Chief Executive Officer*

Mr. D. P. de Silva - *Director / Chief Operating Officer*

Mr. C. K. Hettiarachchi - *Director (Marketing)*

Mr. C. S. Hettiarachchi - *Director (Corporate Affairs)*

Mr. K. O. V. S. M. S. Wijesinghe - *Chief Strategy Officer*

Mr. A. K. Kaluhendiwela - *General Manager (Branches)*

Ms. W.M.T.W. Weerasinghe - *General Manager (Finance)/Chief Financial Officer*

Mr. M.A.M. Farook - *General Manager (IT)*

Mr. R.E.S. George - *General Manager (HR)*

Mr. L. L. D. Prasanga - *Deputy General Manager (Recoveries)*

Mr. R. Tillekeratne - *Head of Compliance*

Brief profiles of the Directors representing the committee are given on pages 14 to 17 of the Annual Report

TERMS OF REFERENCE

The Terms of Reference set out by the Board of Directors, include the following;

- Ensuring that the Company has a risk management framework including risk guidelines and risk management procedures in place relative to the Company's activities and risk profile.
- To review the effectiveness of the Company's risk management systems and monitor the management's assessment of all risk types, including but not limited to credit, market, liquidity, operational, information and communication technology related risk, money laundering and terrorism financing risk, strategic and corporate reputation risk of the company through appropriate risk indicators and management information.

- To review and recommend to the Board of Directors for approval the Company's risk appetite and risk goals.
- To review risks under stress scenarios and monitor the capacity of the Company's capital and liquidity to withstand such risks.
- To ensure that the Board of Directors is continuously informed of the Company's risk exposures and risk indicators.

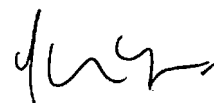
During the year under review, the activities of the Committee included the following;

- Reviewing the Company's and Divisional risk grids taking into consideration material changes in the external environment and the Company's risk profile and providing necessary guidance and recommendations to further strengthen the risk management function.
- Reviewing and monitoring the Company's risk goals, risk management strategies and related risk reports on a regular basis.
- Continuously assessing the impact of the COVID - 19 pandemic and the economic conditions in the Country on the Company's operations and the risk management framework in the areas of credit, liquidity, market, operational, strategic and information technology and providing guidance and recommendations to mitigate the impact to the Company.
- Reviewing and monitoring reports in relation to the compliance function inclusive of AML/CFT regulatory compliance.

MEETINGS

The Committee met four times during the year and the attendance of the Directors at the meetings is given on page 83 of the Annual Report. Only the Non-executive Directors carry voting rights.

The discussions and conclusions reached at the meetings are recorded in minutes and circulated to the Board of Directors for information and guidance.



A.R. Fernando

Chairman

Integrated Risk Management Committee

Colombo

24th May 2022

Audit Committee Report

The Board appointed Audit Committee is delegated with the authority from the Board to provide oversight of the Company's financial reporting, internal control systems and independence and performance of the external auditors and the internal audit function.

COMMITTEE COMPOSITION

The Board appointed Audit Committee comprises of two Independent Non-executive Directors and one Non-independent Non-executive Director. The Committee is chaired by Mr. M. H. de Silva, a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom with considerable experience in the field of finance.

The following members served in the Board appointed Audit Committee during the twelve months period ended 31st March 2022.

Mr. M. H. de Silva (IND/NED) - Chairman

Dr.(Mrs). A. D. N. de Zoysa (IND/NED)

Mr. A. R. Fernando (N-IND/NED)

(IND - Independent Director, N-IND - Non-independent Director, NED - Non-executive Director)

Brief Profiles of the members are given on pages 14 to 17 of the Annual Report. The Head of Internal Audit functions as Secretary to the Audit Committee.

MEETINGS

The Audit Committee held 7 meetings during the financial year ended 31st March 2022.

The attendance of the members at Audit Committee Meetings is as follows:

For the year ended 31st March 2022	No. of Meetings
Mr. M. H. de Silva	7/7
Dr. (Mrs.). A. D. N. de Zoysa	7/7
Mr. A. R. Fernando	7/7

The Chairman, Deputy Managing Director, GM (Finance), Chief Strategy Officer and other members of the senior management also attended these meetings by invitation as and when required. On invitation of the Audit Committee, Company's External Auditors attended four Committee meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

AUDIT COMMITTEE CHARTER

The terms of reference of the Audit Committee are clearly defined in the Audit Committee Charter which is reviewed and revised annually. The Charter was last reviewed and updated in May 2022. This process ensures that new developments and concerns are adequately addressed.

ROLE OF THE AUDIT COMMITTEE

The functions of the Committee are geared to assist the Board of Directors in fulfilling effectively its oversight responsibility on financial reporting, values and ethics, organisational governance, internal controls, internal audit and external audit related affairs of the Company. The Committee has been empowered to:

- Examine internally any matter within the scope of the charter relating to the financial and other related affairs of the Company.
- Make recommendations on matters connected with engagement, re-engagement, removal of external auditors, service period and audit fees. The Committee periodically reviews the independence, objectivity and effectiveness of the audit process in conformity with applicable standards and best practices.
- Monitor and follow-up the Internal Audit programme and External audit plan, review the External Auditors management letter and Internal Audit reports and follow up on findings and recommendations.
- Review risk management measures and examine the adequacy, efficiency and effectiveness of the Internal Control System over Financial Reporting.
- Ensure that efficient and sound financial reporting system is in place to provide accurate, appropriate and timely information to the Board and other stakeholders.
- Assess the quality and appropriateness of Accounting Policies, emerging accounting issues and disclosures according to Sri Lanka Accounting Standards.
- Review the compliance of financial reporting obligations under Finance Business Act No. 42 of 2011, Rules and Directions issued by the Central Bank of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Monitoring Board Act No. 15 of 1995, Colombo Stock Exchange Listing Rules and Rules/ Regulations of the Securities and Exchange Commission of Sri Lanka.
- Review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders.

- Review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Audit committee has discharged its duties during 2021/22 within the scope of the charter as stated below:

FINANCIAL REPORTING

The Audit Committee assisted the Board of Directors to discharge its responsibility for the preparation of the quarterly and annual Financial Statements to reflect true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, Finance Business Act no 42 of 2011, the Companies Act No.7 of 2007, Sri Lanka Accounting and Auditing Standards Monitoring Board Act no.15 of 1995, rules and regulations of CSE and SEC and CBSL Directions.

The Committee reviewed the Company's Interim and Annual Financial Statements prior to submission to the Board and recommended issuance to shareholders.

The Committee reviewed the internal controls on financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgemental areas and material audit judgments.

The Committee continuously reviewed the progress of implementation of SLFRS 9 "Financial Instruments" that has been issued with the effective date being January 1, 2018 and the related financial statement disclosures. During the year, the Audit Committee placed additional focus on the assessment of adequacy of the expected credit loss (ECL) provisions recognised in the financial statements based on the current internal impairment model and management overlay computed based on stress testing and adjustments made to economic factors and other input factors to address the prevailing economic conditions, its potential implications for customer behaviour and business operations.

The Committee, reviewed the circulars, directions and guidelines issued by CBSL/CSE/SEC and CA - Sri Lanka in relation to COVID - 19 pandemic and the internal assessment of the implications of prevailing economic conditions on the forecasts presented by the management on Liquidity, Profitability, the continuity of the business operations and financial reporting.

EXTERNAL AUDIT

The Audit Committee is empowered by the Board to recommend the appointment of the External Auditor in compliance with the relevant statutes issued by the CSE and CBSL, and the best practice of Corporate Governance, the service period, audit fee and any resignation or dismissal of the auditor. The committee was satisfied that there was no conflict of interests between the Company and the Auditor. The Committee was thus satisfied that there was no cause to compromise the independence and objectivity of the Auditor. The Committee reviewed the effectiveness of the audit process in accordance with applicable standards and best practices. The Audit Committee ensured that the engagement of an audit partner did not exceed five years and that the audit partner was not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term as per section 8 (2) c) of Direction No. 3 of 2008 issued under the Finance Business Act no 42 of 2011.

The annual financial statements 2021/22 was reviewed and recommended for the approval of the Board.

The External Auditors' Engagement and Management Letters and Management's responses thereto were also reviewed. The Committee also met with the External Auditor at two meetings without the presence of management to discuss whether there have been any irregularities, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

The letter of representation issued by the Board to the External Auditor and Independence confirmation letter issued by the External Auditor have been reviewed by the Audit Committee.

The Committee assisted the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensured that engagement in non-audit services does not impair the external auditors' independence and objectivity. Policy on engagement of the external auditor to provide non-audit services had been reviewed and approved by the Committee.

INTERNAL CONTROL

The Audit Committee, through the internal audit process, had reviewed the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements present a true and fair view.

Audit Committee Report

Additionally, the Committee reviewed the effectiveness of the Company's internal controls over financial reporting as at 31st March 2022 which was validated by internal audit, as required by Finance Companies (Corporate Governance) Direction 03 of 2008, based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Controls" issued by the Institute of Chartered Accountants of Sri Lanka. The result of the assessment is given on pages 107 to 108 "Directors' Statement on Internal Control" in the Annual Report.

The committee also reviewed the IT Security status presented by the third party IT security auditors.

The External Auditor has issued an Independent Assurance Report on the Directors' Statement on Internal Controls on page 109.

INTERNAL AUDIT

The committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

REGULATORY COMPLIANCE

The Audit Committee closely scrutinises the compliance of mandatory statutory requirements and, systems and procedures in place to ensure the compliance of such requirements.

Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No.42 of 2011 and other reporting requirements under SEC, CSE and CBSL regulations.

COMMITTEE EVALUATION

An annual evaluation of the Committee was carried out by the Board with contributions from individual Committee Members.



M. H. de Silva

Chairman - Audit Committee

Colombo
24th May 2022

Directors' Statement on Internal Control

RESPONSIBILITY

The Board of Directors presents this Statement of Internal Control in compliance with paragraph 10 (2) (b) of Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of Central Finance Company PLC's ("the Company") System of Internal Controls. Such a system is designed to manage the Company's key areas of risk within an acceptable risk profile in achieving the policies and business objectives of the Company, rather than eliminating the risk of failure. 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 fraud. The Board has established an ongoing process for 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 the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the company and in the design, operation and monitoring of suitable Internal Controls to mitigate and control these risks.

Based on this process 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.

KEY FEATURES OF THE PROCESS ADOPTED IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the System of Internal Controls in regard to financial reporting include the following:

- Board has introduced policies and procedures for adoption within the Company.
- Sub-committees are established to assist the Board in ensuring the effectiveness of the Company's daily operations in accordance with the corporate objectives, strategies, annual budget, policies and procedures and the business directions that have been approved by the Board.

- Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control System on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any noncompliance. 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 reporting. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the Internal Audit Division are submitted to the Audit Committee for review at their periodic meetings & the status of the opened items are followed-up with the management and reported to Audit Committee on a quarterly basis.
- Audit Committee of the Company reviews Internal Control issues identified by the Internal Audit Division, Regulatory Authorities and Management, and evaluates the adequacy and effectiveness of the Internal Control System. They also review the Internal Audit function with particular emphasis on scope, findings and the quality of audits performed. The minutes of the Audit Committee Meetings are tabled for the information of the Board at the subsequent Board Meeting.
- In assessing the Internal Control System, identified officers of the Company update all procedures and controls that are connected with significant accounts and disclosures in the financial statements. The Internal Audit Division checks for suitability of design and effectiveness of these procedures and controls on an ongoing basis during their audit process.

The Board Integrated Risk Management Committee (IRMC) is established to assist the Board to oversee the overall management of principal areas of risks of the Company.

Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of business operations.

The Company adopted SLFRS 9 - "Financial Instruments" on 1 April 2018 which became applicable for financial reporting periods beginning on or after 1 January 2018. During the year the Company continued to refine the statistical model used in the computations and the data extraction procedures pertaining to the calculations performed in respect of SLFRS 9.

Since the adoption of this standard, progressive improvements on processes to comply with the requirements of classification, estimation of Expected Credit Losses (ECL) and disclosure were made whilst, further strengthening of processes continue to support estimation of expected credit losses and financial

Directors' Statement on Internal Control

statement disclosures. The Company has documented procedures relating to these requirements and updated the Impairment Policy and Impairment Computation Procedure during the current financial year with the approval of the Board.

During the year in addition to further refining the existing model, the Company continued to build management overlay outside the ECL model recognizing the absence of historic data to reflect the prevailing economic crisis due to deteriorating economic indicators using scenario based stress testing techniques to recognize adequate provision for impairment losses as at reporting date. This approach will be reassessed at every reporting period to reflect the subsequent changes to the economic environment.

The Board ensures that processes and controls are put in place for use of management information systems and validation of information extracted to comply with SLFRS 9.

The Company continues to focus on strengthening the review and testing process of the said model through progressive automation and the Internal Audit Department reviews these refinements made to the model and the management overlay incorporated in the computation of ECL based on the estimates and judgement.

The recommendations made by the external auditor in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement those.

CONFIRMATION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor has reviewed the above Directors' Statement on Internal Control included in the Annual Report of the Company for the year ended 31st March 2022 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System over Financial Reporting of the Company.

For and on behalf of the Board



A.D.B. Talwatte
Chairman



M.H. de Silva
Chairman - Audit Committee



E. H. Wijenaike
Managing Director / Chief Executive Officer

Colombo
24th May 2022

Independent Assurance Report



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TO THE BOARD OF DIRECTORS OF CENTRAL FINANCE COMPANY PLC

We were engaged by the Board of Directors of Central Finance Company PLC ("Company") to provide assurance on the Directors' Statement on Internal Control ("Statement") included in the Annual Report for the year ended 31 March 2022.

Management's responsibility for the Statement on Internal Control

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

Scope of the engagement in compliance with SLSAE 3051

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

Summary of work performed

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

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

- Inquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- Reviewed the documentation prepared by the Directors to support their statement made.

- Related the statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.
- Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.
- Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.
- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on pages 107 to 108 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

Chartered Accountants

Colombo
24th May 2022

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W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, W.A.A. Weerasekara CFA, ACMA, MRICS

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

Independent Auditors' Report



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TO THE SHAREHOLDERS OF CENTRAL FINANCE COMPANY PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Central Finance Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2022, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 116 to 244 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS IN THE AUDIT OF THE GROUP

IMPAIRMENT OF LOANS AND RECEIVABLES FROM CUSTOMERS AND NET INVESTMENT IN LEASES AND HIRE PURCHASE

Refer to Note 3 (Significant accounting judgments, estimates and assumptions), Note 17 (Impairments and other credit losses), Note 30 (Financial assets at amortised cost- Loans and receivables from customers) and Note 31 (Financial assets at amortised cost- Net investment in leases and hire purchase) to these financial statements.

RISK DESCRIPTION	OUR RESPONSES
As disclosed in Note 30 & 31 to these financial statements, the Company has recorded financial assets at amortised cost against loans and receivables from customers and net investment in leases and hire purchase of Rs.5,758Mn and Rs.58,856Mn respectively as at 31st March 2022.	<p>Our audit procedures to assess impairment of loans and advances to customers included the following:</p> <p>Testing of key controls in relation to:</p> <ul style="list-style-type: none"> Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;

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R.H. Rajan FCA
A.M.R.P. Alahakoon ACA



RISK DESCRIPTION	OUR RESPONSES
<p>High degree of complexity and judgment are involved in estimating Expected Credit Loss (ECL) of Rs.1,030Mn and Rs.4,954Mn against loans and receivables from customers and net investment in leases and hire purchase as at the reporting date respectively.</p> <p>Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and net investment in leases and hire purchase balances to these financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).</p> <p>SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loans and lease portfolios. We exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments the Company applies to the ECL results. The Company's criteria selected to identify a SICR are key areas of judgement within the ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.</p>	<p>➤ Key IT system controls which record loans and leases days past due, and non-performing loan and lease classification.</p> <p>Assessing the adequacy of collectively assessed provisions</p> <p>We tested key controls of the Company in relation to:</p> <p>➤ The ECL model governance and validation processes which involved assessment of model performance;</p> <p>➤ The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings, trends in the credit risk concentration of specific portfolios and our understanding of economic conditions. As part of this work, we assessed the reasonableness of Company's considerations of the economic uncertainty relating to deteriorated economic indicators and COVID-19.</p> <p>In addition to controls testing, our procedures included the followings;</p> <p>➤ Assessing the ongoing effectiveness of the SICR criteria and independently calculating the staging of loans and leases to determine whether a SICR event had occurred including the customer behaviour post moratorium.</p> <p>➤ Evaluating and challenging key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance. This included assessing the requirement for additional allowances considering the Company's ECL model and data limitations identified by the Company's ECL model validation processes, particularly in light of the deteriorating and extremely volatile economic scenarios caused by prevailing economic crisis, COVID-19 pandemic and government responses;</p>

Independent Auditors' Report



RISK DESCRIPTION	OUR RESPONSES
<p>The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk.</p> <p>Additionally, allowances for individually significant loans and leases exceeding specific thresholds are individually assessed by the Company. These specific allowances are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company in respect of the loans and lease receivables.</p> <p>The loan and lease receivables and ECL allowances are also significant to the Company/ Group due to the level of required disclosures set out by the requirements of SLFRS 7 Financial Instruments: Disclosures.</p>	<ul style="list-style-type: none"> ➤ Assessing the implications on the ECL model and the requirement for out of model adjustments/ additional allowance overlays to account for the expected increase in delinquencies; ➤ Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment; ➤ Working with our own risk consulting specialists, we assessed the reasonability of the adjustments made by the Company to the forward looking macro-economic factors and assumptions used in the ECL model. ➤ Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment. ➤ Assessing the appropriateness of the Company's disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards. ➤ Reviewing the deliverables submitted by the component auditors as per the Group Audit Instructions to assess the reasonableness of the considerations of the economic uncertainty and country down grade used by the Associate and the amendments made to provision for impairment for Loans and Advances and government securities denominated in foreign currencies as at reporting date. ➤ Assessing the appropriateness of the Company and Group's disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards. <p>Assessing impairment for individually significant customers</p> <p>Selecting a sample (based on quantitative thresholds) of larger customers where impairment indicators have been identified by management and assessed as higher risk or impaired, and a sample of other loans and leases, focusing on larger exposures assessed by the Company as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19).</p> <p>Obtaining management's assessment of the recoverability of these exposures (including individual impairment calculations) and assessed whether individual impairment provisions, or lack of, were appropriate.</p>



RISK DESCRIPTION	OUR RESPONSES
	<p>This included the following procedures</p> <ul style="list-style-type: none"> ➤ Assessing the recoverability of the forecasted cash flows by comparing them to the historical performance of the customers and the expected future performance where applicable; ➤ Assessing external collateral valuer's credentials and comparing external valuations to values used in management's impairment assessments. ➤ For a sample of customer loans and leases which were not identified as displaying indicators of impairment by management, we reassessed the conclusions made by the management by reviewing the historical performance of the customers and from our own view whether any impairment indicators were present.
IT SYSTEMS AND CONTROLS OVER FINANCIAL REPORTING	
<p>The Company utilises many interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of financial statements which provides a true and fair view of the Company's financial position and performance.</p> <p>The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.</p>	<p>We worked with our IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes.</p> <p>Our further audit procedures included:</p> <p>General IT controls design, observation and operation</p> <ul style="list-style-type: none"> ➤ Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, review and awareness, and IT Risk Management practices. ➤ Obtaining an understanding of the Company's processes including identification of process risk points for significant account balances associated with risk of material misstatement, testing operating effectiveness of a sample of key controls over the information technology in relation to financial accounting and reporting systems, including system access, system change management, monitoring system integrity, and computer operations. ➤ Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate these financial statements.

Independent Auditors' Report



RISK DESCRIPTION	OUR RESPONSES
	<p>Application controls</p> <ul style="list-style-type: none"> On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger; <p>User access controls operation</p> <ul style="list-style-type: none"> Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights. Assessing the management's evaluation of access rights granted to applicants relevant to financial accounting and reporting systems and tested resolution of a sample of exceptions.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,



design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is FCA 2294.

Chartered Accountants
Colombo, Sri Lanka

24 May 2022

Income Statement

For the year ended 31st March	Notes	Group		Company	
		2022	2021	2022	2021
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Income	10	24,580,234	23,994,266	17,500,569	19,406,200
Interest income	11	14,219,402	16,604,313	14,163,102	16,546,553
Interest expenses	12	(3,782,899)	(6,150,191)	(3,819,396)	(6,194,811)
Net interest income		10,436,503	10,454,122	10,343,706	10,351,742
Net income from financial instruments at FVTPL	13	678,734	1,094,480	599,436	1,030,158
Net other revenue	14	1,766,920	1,228,227	-	-
Operating lease income	15	1,055,079	1,015,166	1,058,806	1,019,196
Other income	16	1,466,942	652,279	1,679,225	810,293
Total operating income		15,404,178	14,444,274	13,681,173	13,211,389
Impairment and other credit losses	17	(286,966)	(3,270,465)	(273,087)	(3,256,083)
Net Operating Income		15,117,212	11,173,809	13,408,086	9,955,306
Operating expenses	18				
Personnel expenses	19	(2,705,000)	(2,267,499)	(2,359,720)	(1,947,029)
Premises, equipment, establishment and other expenses		(2,851,961)	(2,307,864)	(2,281,091)	(2,129,852)
		(5,556,961)	(4,575,363)	(4,640,811)	(4,076,881)
Operating profit before share of profit of equity accounted investees		9,560,251	6,598,446	8,767,275	5,878,425
Share of profit of equity accounted investee, net of tax	20	1,388,131	1,069,144	-	-
Operating profit before taxes on financial services		10,948,382	7,667,590	8,767,275	5,878,425
Taxes on financial services	21	(1,298,900)	(863,462)	(1,298,900)	(863,462)
Profit before tax		9,649,482	6,804,128	7,468,375	5,014,963
Income tax expense	22	(2,373,343)	(1,024,160)	(2,112,956)	(878,992)
Profit for the year		7,276,139	5,779,968	5,355,419	4,135,971
Profit attributable to :					
Equity holders of the parent		7,002,787	5,544,132	5,355,419	4,135,971
Non-controlling interest		273,352	235,836	-	-
Profit for the year		7,276,139	5,779,968	5,355,419	4,135,971
Basic and diluted earnings per share -Rs.	23	30.80	24.39		
Dividend per share	24	3.50	3.50		

Notes to the financial statements from pages 122 to 244 form part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Notes	Group		Company	
		2022 Rs:'000	2021 Rs:'000	2022 Rs:'000	2021 Rs:'000
Profit for the year		7,276,139	5,779,968	5,355,419	4,135,971
Other comprehensive income/(expense) to be reclassified to income statement					
Fair value gain/(loss) on debt securities at fair value through other comprehensive income					
Share of equity accounted investee, net of tax	52	(426,030)	(84,229)	-	-
Total other comprehensive income/(expense) to be reclassified to income statement		(426,030)	(84,229)	-	-
Other comprehensive income/(expense) not to be reclassified to income statement					
Actuarial gains / (losses) on defined benefit plans	19.2	8,883	(15,303)	(4,228)	(6,350)
Tax effect	22.2	(1,514)	3,305	1,015	1,524
		7,369	(11,998)	(3,213)	(4,826)
Share of equity accounted investee, net of tax		1,048	(9,462)	-	-
Revaluation of land & buildings					
Share of profit of equity accounted investee, net of tax	51	38,532	5,283	-	-
Deferred tax impact on revaluation reserve due to change of income tax rate	22.2	-	328,748	-	186,792
Total other comprehensive income/(expense) not to be reclassified to income statement		46,949	312,571	(3,213)	181,966
Other comprehensive income/(expense) for the year(net of tax)		(379,081)	228,342	(3,213)	181,966
Total comprehensive income for the year		6,897,058	6,008,310	5,352,206	4,317,937
Total comprehensive income Attributable to:					
Equity holders of the parent		6,619,783	5,726,520	5,352,206	4,317,937
Non-controlling interest		277,275	281,790	-	-
Total comprehensive income for the year		6,897,058	6,008,310	5,352,206	4,317,937

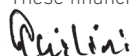
Notes to the financial statements from pages 122 to 244 form part of these financial statements.

Statement of Financial Position

As at	Notes	Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Cash and cash equivalents	26	1,199,681	988,137	697,234	930,383
Fair value through profit or loss financial assets	27	1,655,884	15,669,893	968,093	14,299,981
Securities bought under repurchase agreements	28	5,201,821	4,378,520	5,201,821	4,378,520
Financial assets at amortised cost- Debt and other financial instruments	29	22,310,336	4,473,794	20,933,341	4,226,850
Financial assets at amortised cost- Loans and receivables from customers	30	4,724,669	3,405,974	4,727,838	3,413,453
Financial assets at amortised cost- Net investment in leases and hire purchase	31	53,901,589	61,108,561	53,901,589	61,108,561
Trade receivables	32	1,589,992	1,077,716	-	-
Investments in subsidiaries	33	-	-	333,614	306,481
Investments in equity accounted investees	34	9,221,337	8,276,910	1,538,020	1,454,646
Inventories and other stocks	35	1,626,322	1,380,216	54,436	48,724
Investment properties	36	78,800	303,800	78,800	303,800
Property, plant and equipment	37	12,433,609	12,308,748	10,082,958	10,056,995
Right of use assets	38	457,818	439,173	559,516	574,707
Intangible assets	39	85,792	100,774	84,809	100,280
Current tax assets	40	1,127	2,420	-	-
Deferred tax asset	42	15,196	18,406	-	-
Other assets	43	1,096,721	453,759	873,135	379,998
Real estates held for sale	44	5,155	10,697	5,155	10,697
Assets held for sale	41	100	-	-	-
Total assets		115,605,949	114,397,498	100,040,359	101,594,076
LIABILITIES					
Bank overdrafts	26	224,369	1,455,291	215,438	1,444,603
Financial liabilities at amortised cost -Deposits	45	48,715,464	52,152,495	49,024,182	52,587,069
Financial liabilities at amortised cost -Interest bearing borrowings	46	708,465	1,673,965	88,329	1,091,332
Lease liabilities	38	425,001	390,449	542,760	537,314
Employee benefit obligations	47	1,778,128	1,959,247	1,632,666	1,803,815
Current tax liabilities	40	1,773,149	1,380,518	1,597,150	1,253,375
Deferred tax liability	42	1,765,957	2,201,544	1,438,012	1,872,272
Other liabilities	48	2,744,039	1,678,540	1,035,641	1,053,640
Liabilities directly associated with the assets held for sale	41	1,224	-	-	-
Total liabilities		58,135,796	62,892,049	55,574,178	61,643,420
EQUITY					
Stated capital	49	2,230,286	1,961,597	2,230,286	1,961,597
Statutory Reserve fund	50	2,715,000	2,371,000	2,715,000	2,371,000
Revaluation reserve	51	4,976,248	5,102,431	3,584,888	3,747,729
Fair value reserve	52	(398,492)	27,538	-	-
Loan loss reserve	53	920,000	920,000	920,000	920,000
General reserve	54	23,402,957	23,402,957	23,391,776	23,391,776
Retained earnings	55	21,989,452	16,266,493	11,624,231	7,558,554
Total equity, excluding non-controlling interest		55,835,451	50,052,016	44,466,181	39,950,656
Non-controlling interest	33.4	1,634,702	1,453,433	-	-
Total equity		57,470,153	51,505,449	44,466,181	39,950,656
Total liabilities and equity		115,605,949	114,397,498	100,040,359	101,594,076
Net asset value per share - Rs.		245.59	220.15	195.58	175.72

Notes to the financial statements from pages 122 to 244 form part of these financial statements.

These financial statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.



W.M.T.W. Weerasinghe
Chief Financial Officer

The Board of directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the board.



E. H. Wijenaike
Managing Director

24th May 2022

Colombo



A. K. Gunaratne
Deputy Managing Director

Statement of Changes in Equity

Group equity statement for the year ended 31st March 2022	Attributable to equity holders of the company											
	Notes	Rs.'000	Stated capital	Statutory reserve fund	Revaluation reserve	Fair value reserve	Loan loss reserve	General reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at 1st April 2020		1,696,898		2,213,000	4,823,863	111,767	920,000	23,402,957	11,157,205	44,325,690	1,197,191	45,522,881
Total comprehensive income												
Profit for the year		-	-	-	-	-	-	-	5,544,132	5,544,132	235,836	5,779,968
Other comprehensive income		-	-	-	286,670	(84,229)	-	-	(20,053)	182,388	45,954	228,342
Total comprehensive income	51/52/55/33.4	-	-	-	286,670	(84,229)	-	-	5,524,079	5,726,520	281,790	6,008,310
Transactions with equity holders of the Company and other transfers, recognised directly in equity												
Depreciation on revaluation surplus	51	-	-	-	(8,102)	-	-	-	8,102	-	-	-
Transfers during the year	50	-	-	158,000	-	-	-	-	(158,000)	-	-	-
Unclaimed dividends written back		-	-	-	-	-	-	-	140	140	129	269
Dividends - Scrip/cash	24/49	264,699	-	-	-	-	-	-	(265,033)	(334)	(25,677)	(26,011)
Total contributions from and distribution to equity holders and other transfers												
Balance as at 31st March 2021		1,961,597	264,699	2,371,000	5,102,431	27,538	920,000	23,402,957	16,266,493	50,052,016	1,453,433	51,505,449
Balance as at 1st April 2021		1,961,597		2,371,000	5,102,431	27,538	920,000	23,402,957	16,266,493	50,052,016	1,453,433	51,505,449
Total comprehensive income												
Profit for the year		-	-	-	-	-	-	-	7,002,787	7,002,787	273,352	7,276,139
Other comprehensive income		-	-	-	38,532	(426,030)	-	-	4,494	(383,004)	3,923	(379,081)
Total comprehensive income	51/52/55/33.4	-	-	-	38,532	(426,030)	-	-	7,007,281	6,619,783	277,275	6,897,058
Transactions with equity holders of the Company and other transfers, recognised directly in equity												
Depreciation on revaluation surplus	51	-	-	-	(8,104)	-	-	-	8,104	-	-	-
Reversal of revaluation surplus on disposal of land	51	-	-	-	(156,611)	-	-	-	156,611	-	-	-
Unclaimed dividends written back		-	-	-	-	-	-	-	20,010	20,010	262	20,272
Acquisition of non-controlling interest of a subsidiary	33.4								72	72	(972)	(900)
Transfers during the year	50	-	-	344,000	-	-	-	-	(344,000)	-	-	-
Dividends - Scrip/ Cash	24/49	268,689			-	-	-	-	(1,125,119)	(856,430)	(27,234)	(883,664)
Divestment of a subsidiary company	33.4	-	-	-	-	-	-	-	-	-	(68,062)	(68,062)
Total contributions from and distribution to equity holders and other transfers												
Balance as at 31st March 2022		2,230,286	268,689	344,000	4,976,248	(398,492)	920,000	23,402,957	21,989,452	55,835,451	1,634,702	57,470,153

Notes to the financial statements from pages 122 to 244 form part of these financial statements.

Statement of Changes in Equity

Company equity statement for the year ended 31st March 2022	Attributable to equity holders of the company							Total
	Notes	Stated capital	Statutory reserve fund	Revaluation reserve	Loan loss reserve	General reserves	Retained earnings	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2020		1,696,898	2,213,000	3,567,167	920,000	23,391,776	3,844,212	35,633,053
Total comprehensive income								
Profit for the year		-	-	-	-	-	4,135,971	4,135,971
Other comprehensive income		-	-	186,792	-	-	(4,826)	181,966
Total comprehensive income	51/55	-	-	186,792	-	-	4,131,145	4,317,937
Transactions with equity holders of the Company and other transfers, recognised directly in equity								
Depreciation on revaluation surplus	51	-	-	(6,230)	-	-	6,230	-
Transfers during the year	50	-	158,000	-	-	-	(158,000)	-
Dividends - Scrip/cash	24/49	264,699	-	-	-	-	(265,033)	(334)
Total contributions from and distribution to equity holders and other transfers		264,699	158,000	(6,230)	-	-	(416,803)	(334)
Balance as at 31st March 2021		1,961,597	2,371,000	3,747,729	920,000	23,391,776	7,558,554	39,950,656
Balance as at 01st April 2021		1,961,597	2,371,000	3,747,729	920,000	23,391,776	7,558,554	39,950,656
Total comprehensive income								
Profit for the year		-	-	-	-	-	5,355,419	5,355,419
Other comprehensive income		-	-	-	-	-	(3,213)	(3,213)
Total comprehensive income	51/55	-	-	-	-	-	5,352,206	5,352,206
Transactions with equity holders of the Company and other transfers, recognised directly in equity								
Depreciation on revaluation surplus	51	-	-	(6,230)	-	-	6,230	-
Reversal of revaluation surplus on disposal of land	51	-	-	(156,611)	-	-	156,611	-
Unclaimed dividends written back		-	-	-	-	-	19,749	19,749
Transfers during the year	50	-	344,000	-	-	-	(344,000)	-
Dividends - Scrip/ Cash	24/49	268,689	-	-	-	-	(1,125,119)	(856,430)
Total contributions from and distribution to equity holders and other transfers		268,689	344,000	(162,841)	-	-	(1,286,529)	(836,681)
Balance as at 31st March 2022		2,230,286	2,715,000	3,584,888	920,000	23,391,776	11,624,231	44,466,181

Notes to the financial statements from pages 122 to 244 form part of these financial statements.

Statement of Cash Flows

For the year ended 31st March	Notes	Group		Company	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities					
Interest receipts		13,112,282	13,847,556	13,044,725	13,754,181
Interest payments		(2,024,683)	(4,237,840)	(2,059,234)	(4,259,823)
Recoveries on bad debts previously written off		844,914	213,463	844,914	213,463
Receipts from other operating activities		8,744,642	5,926,381	1,628,641	1,227,372
Cash payments to employees and suppliers		(9,884,475)	(6,838,017)	(3,802,479)	(2,658,462)
Operating profit before changes in operating assets		10,792,680	8,911,543	9,656,567	8,276,731
(Increase) / decrease in operating assets:					
Securities with bank and non-bank financial institutions		(3,735,115)	(7,531,648)	(3,735,115)	(7,531,648)
Loans to customers		(29,703,636)	(21,751,044)	(29,711,835)	(21,771,884)
Customer repayments		36,013,094	34,672,411	36,027,142	34,687,122
Others		(681,207)	(640,407)	(617,442)	(519,869)
Increase / (decrease) in operating liabilities:					
Net cash effect on deposits		(4,457,307)	(2,314,194)	(4,584,138)	(2,369,401)
Net cash from operating activities before taxes on financial services		8,228,509	11,346,661	7,035,179	10,771,051
Taxes on financial services		(1,372,889)	(940,104)	(1,372,889)	(940,104)
Net cash on operating activities before income tax		6,855,620	10,406,557	5,662,290	9,830,947
Income tax paid	40	(2,408,676)	(1,907,819)	(2,202,426)	(1,777,033)
Net cash generated from operating activities		4,446,944	8,498,738	3,459,864	8,053,914
Cash flows from investing activities					
Dividends received from subsidiaries		-	-	43,643	52,888
Dividends received from equity accounted investees		31,247	242,903	-	148,943
Dividends received from other companies		9,177	2,254	-	-
Proceeds from divestment of a subsidiary company	33.2	270,776	-	186,353	-
Proceeds from disposal of investment property	36.5	215,625	-	215,625	-
Proceeds on liquidation of an associate company	34.1	46,509	-	30,828	-
Acquisition of non-controlling interest of a subsidiary	33.3	(900)	-	-	-
Acquisition of financial investments		(2,575,754)	(1,363,865)	-	-
Proceeds from sale of financial investment		2,168,306	654,765	-	-
Purchase of property, plant and equipment		(1,149,253)	(590,585)	(980,643)	(515,011)
Disposal of property, plant and equipment		53,328	89,336	49,495	89,070
Net cash used in investing activities		(930,939)	(965,192)	(454,699)	(224,110)
Cash flows from financing activities					
Proceeds from borrowings	46	2,429,881	2,949,292	-	950,000
Repayment of borrowings	46	(3,398,843)	(8,577,813)	(1,006,465)	(6,826,789)
Repayment of debt securities		-	(1,791,038)	-	(1,791,038)
Lease instalment settlement	38.4	(117,055)	(85,674)	(146,230)	(119,012)
Dividends paid to equity holders of the parent		(856,430)	(3,247)	(856,430)	(3,247)
Dividends paid to non-controlling interest		(25,636)	(24,349)	-	-
Net cash used in financing activities		(1,968,083)	(7,532,829)	(2,009,125)	(7,790,086)
Net increase in cash and cash equivalents		1,547,922	717	996,040	39,718
Cash and cash equivalents at the beginning of the period		(466,976)	(467,693)	(514,069)	(553,787)
Cash and cash equivalents of subsidiary disposed of	33.2	(105,457)	-	-	-
Cash and cash equivalents at the end of the year		975,489	(466,976)	481,971	(514,069)
Cash and cash equivalents	26	1,199,681	988,137	697,234	930,383
Bank overdrafts		(224,369)	(1,455,291)	(215,438)	(1,444,603)
Impairment provision for cash equivalents		177	178	175	151
Cash and cash equivalents at the end of the year	26	975,489	(466,976)	481,971	(514,069)

Notes to the financial statements from pages 122 to 244 form part of these financial statements.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Corporate information

Central Finance Company PLC is a public limited liability company incorporated on 5th December 1957 and domiciled in Sri Lanka. Its registered office and principal place of business is at No. 84, Raja Veediya, Kandy. The ordinary shares of the company are listed on the Colombo Stock Exchange.

The financial information of the Company and its subsidiaries are together referred to as "the Group".

Total staff strength of the Company and the Group on 31 March 2022 were as follow:

Group	2,304 (31 March 2021 – 2,283)
Company	1,741 (31 March 2021 – 1,706)

1.2 Consolidated financial statements

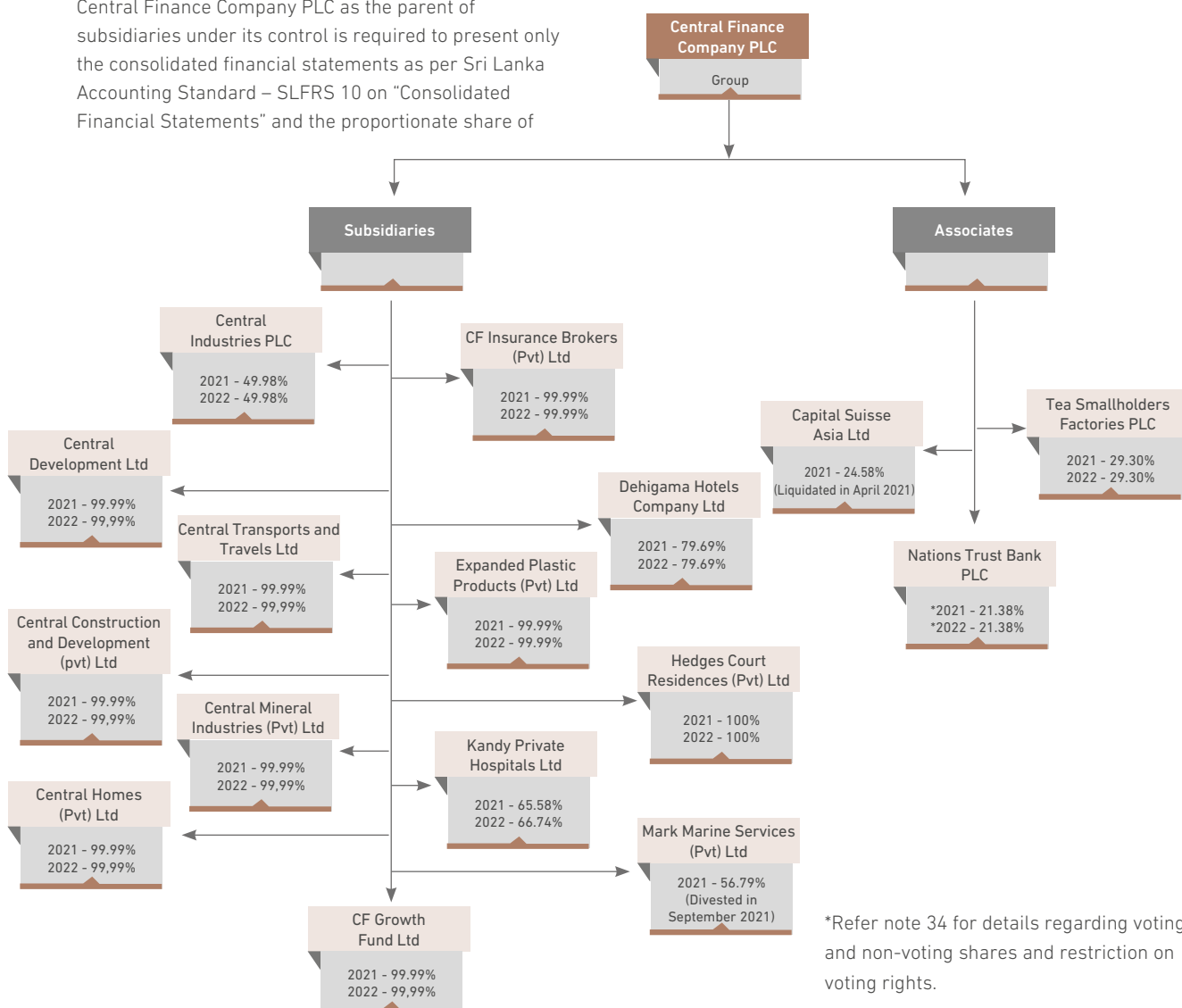
Central Finance Company PLC as the parent of subsidiaries under its control is required to present only the consolidated financial statements as per Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" and the proportionate share of

the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures". In addition to the consolidated financial statements, separate financial statements are also presented as per the requirements Companies Act, No. 07 of 2007 and amendments thereto.

1.3 Parent Entity and Ultimate Parent Entity

The Company does not have an identifiable parent of its own. The Company is the ultimate parent of the Group companies.

1.4 Principal business activities, nature of operations and ownership of the Group in its subsidiaries and associates



A summary of principal activities of the Company, its subsidiary companies and associate companies are as follows:

Entity	Principal Business Activity
Central Finance Company PLC	Leasing, loans, operating leases, deposit mobilization, and provision of other financial services
Subsidiaries	
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings
Central Mineral Industries (Pvt) Ltd.	Manufacture of mineral products
Central Construction and Development (Pvt) Ltd.	Investment company
Expanded Plastic Products (Pvt) Ltd.	Investment company
Central Homes (Pvt) Ltd.	Property development and sale of real estate
Mark Marine Services (Pvt) Ltd.	Hydro-power generation (Group investments divested in September 2021)
Central Developments Ltd.	Investment company
CF Insurance Brokers (Pvt) Ltd.	Insurance broking
Central Transport and Travels Ltd.	Hiring of vehicles
Hedges Court Residencies (Pvt) Ltd.	Construction and sale of apartments
Dehigama Hotels Company Ltd.	Renting of commercial property
CF Growth Fund Ltd.	Investment company
Kandy Private Hospitals Ltd.	Provision of healthcare services
Associates	
Nations Trust Bank PLC	Licensed commercial bank
Tea Smallholder Factories PLC	Processing green leaf purchased from tea smallholders and the sale of processed black tea
Capital Suisse Asia Ltd.	Investment company (Liquidated in April 2021)

Capital Suisse Asia Ltd., an associate company of the Group was liquidated in April 2021. The profit on liquidation to the Company amounted to Rs. 1.82 Million and loss on liquidation to the Group amounted to Rs. 1.23 Million based on the aggregate of cost of the investment in associate and cumulative share in retained assets of associate Company and proceeds received/receivable from liquidation.

The Group entered into a share sales and purchase agreement with Hatton Plantations PLC for divestments of .56.79% investment in Mark Marine Services (Pvt) Ltd held through Company and the fully owned subsidiary, CF Insurance Brokers (Pvt) Ltd for a consideration of Rs.270.77 Million on 21 June 2021. The divestment was completed on 30 September 2021 upon receipt of the total considerations. Mark Marine Services (Pvt) Ltd profits had been consolidated to group profits up to 30th September 2021. The profit on disposal of subsidiary amounted to Rs. 158.77 Million to the Company and Rs. 181.32 Million to the Group based on the difference between the fair value of consideration received and the cost of the investments and retained equity of Mark Marine Services (Pvt)Ltd. excluding non -controlling interest as at 30th September 2021.

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

1.5 Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the annual report.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company, which comprise the statement of financial position, income statement, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

Notes to the Financial Statements

These financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Details of the Group's significant accounting policies followed during the year are given on Note 4 to 60 on pages 127 to 241.

These financial statements include the following components:

- an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Group and the Company for the year under review; (Refer pages 116 and 117).
- a Statement of Financial Position providing information on the financial position of the Group and Company as at the year end;(Refer page 118).
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and Company; (Refer pages 119 and 120).
- a Statement of Cash Flows providing information to the users, on the ability of the Group and Company to generate cash and cash equivalents and the needs of the entity to utilize those cash flows; (Refer pages 121).
- Notes to the financial statements comprising accounting policies and other explanatory information. (Refer pages 122 to 244)

2.2 Approval of the consolidated financial statements by the board of directors

The consolidated financial statements as at and for the year ended 31st March 2022 were authorised for issue by the board of directors on 24th May 2022.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for the following material items, which are measured on an alternative basis on each reporting date:

Item	Basis of measurement	Note No.	Page No.
Financial assets measured at fair value through profit or loss	Fair value	27	179
Defined benefit obligations	Liability for defined benefit obligations is recognised at present value of the defined benefit obligation less fair value of the plan assets	47	227
Land and buildings	Measured at cost at the time of acquisition and subsequently measured at fair value	37	204
Investment properties	Fair value	36	202

2.4 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.5 Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on "Presentation of financial statements".

2.6 Going concern

The board of directors has made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future and, do not foresee a need for liquidation or cessation of business, taking into account all available information about the future.

Subsequent to the COVID 19 outbreak in March 2020, the business operations and activities of the Company / Group were impacted. The Company/Group has taken various precautionary measures to protect employees, their families, and the eco system in which they interact based on instructions issued by the Government, while at the same time ensuring business continuity.

Sri Lanka has been facing foreign exchange crisis due to the adverse economic impacts of the COVID-19 pandemic and Government of Sri Lanka is taking various measures to control the outflow of foreign exchange reserves of the Country including restrictions on several imports and outward remittances. Despite the Government's measures to control foreign exchange outflows, continual deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. At the same time, Sri Lanka's annual inflation scaled to 18.7 percent in March of 2022 from 3.9 percent in April 2021.

The directors have considered the potential negative effects of prevailing macro-economic uncertainty and implications of COVID 19 that may cause to the business operations of the Group in making the assessment and in arriving at business projections. Board is of the view that the Group has adequate liquidity position considering the level of business operations and liquid assets held. Group and the Company will continue to monitor any material changes in future economic conditions and the resultant implications on the business operations.

Therefore, the financial statements continue to be prepared on the going concern basis.

2.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the SOFP, 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 realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the SLFRS Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Group.

2.8 Rounding

The amounts in the financial statements have been rounded off to the nearest rupees thousands except where otherwise indicated, as permitted by the Sri Lanka Accounting Standard - LKAS 1 on "Presentation of Financial Statements"

2.9 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which group operates (group's functional currency). All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless otherwise stated, as permitted by LKAS 01 - Presentation of Financial Statements.

There was no change in the Group's presentation and functional currency during the year under review.

The information presented in US Dollars on pages 256 and 257 does not form part of the financial statements and is solely for the information of stakeholders.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires management to make judgments, estimates, and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances and assumptions based on such knowledge and expectation of future events. Hence, actual experience and results may differ from these judgments and estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods as well, if the revision affects both current and future periods.

Sri Lanka is currently witnessing macro-economic uncertainty and volatile business environment due to high external debt, low foreign exchange reserves, fiscal deficit, energy shortages and inflationary pressures. The macro-economic challenges could adversely impact on the vulnerable customer segments due to increased commodity prices, cost of living, supply chain disruptions and energy crisis.

Notes to the Financial Statements

The COVID-19 pandemic and its effect on the global economy have impacted the customers, operations and Group performance. The multiple COVID-19 outbreaks necessitated the government to respond at unprecedented levels to protect the health of the population, local economy and livelihoods.

Thus the prevailing macro-economic uncertainty and the implications of the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including, the extent and duration of the disruption to businesses, expected economic downturn, and subsequent recovery.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic and the significant deterioration of the macro-economic scenario in the country on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimates and uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows.

Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

Significant Judgements	Note and page Reference
Establishing the criteria for the determination of whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of Expected credit losses(ECL) and the selection and approval of models used to measure Expected credit loss.	Note 17, page 160
Determination of control over investees	Notes 33 & 34, pages 189 to 196

Significant Judgements	Note and page Reference
Classification of financial assets and assessment of the business model within which the assets are held	Note 4.3.3, page 129
Classification of investment properties	Note 36 page 202
Determination of fair value of financial instruments when there is no observable market data.	Note 8.3, page 150

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2022 is included in the following notes.

Significant assumption and estimations uncertainties	Note and page Reference
Impairment of financial instruments : determination of inputs into the Expected Credit Loss (ECL) measurement model including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information	Note 17, page 160
Measurement of the fair value of financial instruments with significant unobservable inputs	Note 8.3, page 150
Measurement of defined benefit obligations: key actuarial assumptions	Note 47, page 227
Recognition of deferred tax assets	Note 42, page 220
Determining the fair value of investment property and freehold land and buildings on the basis of significant unobservable inputs	Notes 36 & 37, Pages 202 & 204
Impairment losses on non-financial assets	Note 4.4 Page 132
Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources	Note 58 Page 235
Useful life time of property, plant and equipment, investment properties and intangible assets	Notes 36,37 & 39 Pages 202, 204, 217
Right-of-Use assets and operating lease liability	Note 38 Page 214

4. SIGNIFICANT ACCOUNTING POLICIES

Application of Accounting Policies

The Group has consistently applied the accounting policies for all periods presented in the financial statements. Further the changes in accounting policies due to adoption of new standards and interpretations or adoption of new accounting policies have been presented in Note 5 to the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the financial statements. These significant accounting policies have been applied consistently to all periods presented in the financial statements of the Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

Accounting policies	Note Reference	Page No.
Basis of Consolidation	4.1	127
Foreign currency	4.2	129
Financial instruments - Initial recognition, classification and subsequent measurement	4.3	129
Impairment of non-financial assets	4.4	132
Provisions	4.5	132
Gross Income	10	156
Interest Income	11	156
Interest Expense	12	157
Net income from financial instruments at FVTPL	13	158
Other Revenue	14	158
Operating Lease Income	15	159
other Income	16	159
Impairments and other credit losses	17	160
Operating expense	18	167
Personnel expense	19	168
Taxes on financial services	21	170
Income tax expense	22	170
Cash and cash equivalents	26	178
Financial assets measured at fair value through profit or loss	27	179

Accounting policies	Note Reference	Page No.
Investments in subsidiaries	33	189
Investments in equity accounted investees	34	196
Investment properties	36	202
Property, plant and equipment	37	204
Right of use assets	38	214
Intangible assets	39	217
Real estates held for sale	43	223
Employee benefit obligations	47	227
Contingent liabilities	58	235

4.1 Basis of consolidation

The Group's financial statements comprise the consolidation of the financial statements of the Company, its subsidiaries in terms of the Sri Lanka Accounting Standard - SLFRS 10 on Consolidated Financial Statements.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Notes to the Financial Statements

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries included in the consolidated financial statements are those companies controlled by the Group. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Generally, there is a presumption that a majority of voting rights results in control. When the group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. When the group has less than a majority of the voting rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangements with the other shareholders of the investee and the rights arising from other contractual arrangements.

Non - controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly, are disclosed separately as "Non- controlling Interest". Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this

results in the non-controlling interests having a deficit. The accounting policies of the subsidiaries are changed when necessary to align them with the policies adopted by the group.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the company.

Loss of control

Financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commences until the control ceases. When the group loses control of a subsidiary, a gain or loss is recognised in the income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SLFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under group's accounting policy for financial instruments or when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those enterprises in which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies. Investments in associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the group's share of gains and losses accounted under the equity method from the date significant influence commences until the date significant influence ceases. When the

group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is derecognized and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group transactions and balances, income, expenses and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the group's interest in the associates against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are eliminated only to the extent that there is no evidence of impairment.

Accounting period

Consolidated financial statements are prepared to a common financial year ending 31st March. All subsidiaries in the group other than CF Insurance Brokers (Pvt) Ltd., have a common financial year ending 31st March. The financial year end for CF Insurance Brokers (Pvt) Ltd., is 31st December; and hence, adjustments are made based on financial statements drawn up to 31st March. The audited consolidated financial statements of Nations Trust Bank PLC and Capital Suisse Asia Ltd. (Liquidated in April 2021) are drawn up to 31st December; and hence, adjustments are made based on financial statements drawn up to 31st March.

4.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

4.3 Financial instruments - Initial recognition, classification and subsequent measurement

4.3.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, the date that the Company becomes a party to the contractual provisions of the instrument.

4.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. All financial instruments are initially measured at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the income statement.

4.3.3 Classification and Subsequent Measurement of Financial Assets

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

These assets are measured at either:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost.

4.3.3.a Business Model Assessment

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

The Group'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

Notes to the Financial Statements

- How managers of the business are compensated (for example, whether the compensation is based on the fair value 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 Group's assessment

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

4.3.3.b Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

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

For the purpose of this assessment, "principal" 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).

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

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

4.3.3.c Classification of Financial Assets

Financial asset classification	Criteria
Financial assets measured at amortised cost	<p>A financial asset is measured at amortised cost if both of the following conditions are met and is not designated as at FVTPL</p> <ul style="list-style-type: none"> ➤ 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 measured at fair value through other comprehensive income	<ul style="list-style-type: none"> ➤ A debt instrument is measured at Fair Value through Other Comprehensive Income (FVOCI) when both of the following conditions are met: ➤ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets. ➤ The contractual terms of The financial asset meet The SPPI test. <p>Upon initial recognition, the Group may elect to classify irrecoverably some of its equity investments held for strategic and statutory purposes as equity instruments measured at fair value through other comprehensive income.</p>
Financial assets measured at fair value through profit or loss	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 liability classification	Criteria
Financial liabilities measured at amortised cost	Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost

4.3.3.d Amortised cost

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

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

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in interest income while the losses arising from impairment are recognised in impairment charges for loans and other losses in the income statement.

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

Financial assets measured at amortised cost of the Group comprise of cash and cash equivalents, debt and other financial instruments, loans and receivables from customers, net investment in leases and hire purchase, securities bought under repurchase agreements, trade receivables and other financial instruments.

4.3.3.e Fair value through profit or loss (FVTPL)

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 FVTPL 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 net income from financial instruments at FVTPL.

No impairment loss is recognised on equity instruments classified as financial assets measured at FVTPL.

4.3.4 Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. The Group's financial liabilities comprise of bank overdrafts, deposits from customers, interest bearing borrowings, other liabilities and lease liabilities.

4.3.5 Reclassification of financial assets and liabilities

When the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains or losses (including impairment losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

Reclassification is at the discretion of management, and is determined on an instrument-by-instrument basis. Further the Group does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it had been designated as fair value through profit or loss.

The Group did not reclassify any of its financial assets or liabilities during the year ended 31.03.2022.

4.3.6 De-recognition of financial assets and liabilities

4.3.6.a Financial assets

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

- The right to receive cash flows from the asset has expired.
- The group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

Notes to the Financial Statements

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

4.3.6.b Financial liabilities

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

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

4.3.7 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is 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 is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions.

4.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the recoverable amount of an asset is below its carrying amount the asset is considered impaired, and is reduced to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset except for property previously revalued and the revaluation surplus was credited to equity. In such case, the impairment is recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Previously recognised impairment losses other than in respect of goodwill are reversed only if there has been an increase in the recoverable amount of such asset. Such increased carrying amount of an asset attributable to reversal of an impairment loss is recognised only up to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4.5 Provisions

In accordance with Sri Lanka Accounting Standard 37 - Provisions, Contingent Liabilities and Contingent Assets, recognition of a provision in the statement of financial position is made when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Interest Rate Benchmark Reform (IBOR) (Amendments to SLFRS 9, LKAS 39 and SLFRS 7)

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing certain interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform").

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform Phase 1 and Phase 2. The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context and the requirements under phase 2 amendments have to be applied retrospectively.

The main risks to which an entity has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

However it is not expected to have a significant impact on the Group's financial statements.

6 STANDARDS ISSUED BUT NOT YET ADOPTED

The following new accounting standards and amendments/improvements to the existing standards were issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2021 will be completed before the amendments become effective.

B. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g.

leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

C. Other New Accounting Pronouncements

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SLFRS 16) – effective for annual reporting periods beginning on or after 1 April 2021.
- Annual Improvements to IFRS Standards 2018–2020 – effective for annual reporting periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16) – effective for annual reporting periods beginning on or after 1 January 2022.
- Reference to Conceptual Framework (Amendments to IFRS 3) – effective for annual periods beginning on or after 1 January 2022.
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) – effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) – effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimates (Amendments to LKAS 8) – effective for annual periods beginning on or after 1 January 2023."

7 FINANCIAL RISK REVIEW AND CAPITAL MANAGEMENT

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

Notes to the Financial Statements

7.1 Introduction and Overview

The Group/Company has exposure to the following key risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk;

This note presents information about the group/ company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing such risks.

7.2 Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO), which is responsible for identifying, managing and controlling risks in executing the business strategy.

The Integrated Risk Management Committee (IRMC) provides the Board, the assurance that risk management strategies, policies and processes are in place to manage events / outcomes that have the potential to impact significantly on earnings performance, reputation and capital.

The risk management policies are established to identify and analyse the risks faced by the Group/Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group/Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group/Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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7.3 Credit Risk

Credit risk is the risk of financial loss to the group/ company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from company's loans and advances to customers and other investment in debt securities.

7.3.1 Management of Credit Risk

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined hierarchy of delegated approval supported by high ethical standards and well established policies and procedures provide a robust framework for the management of credit risk. There is a clear segregation of duties between transaction originators in the business units and approvers in the credit function. All credit exposure limits are approved within a delegated credit approval authority framework. Risk indicators are also set by the group/ company and monitored through the ALCO, BoM and IRMC on a monthly and quarterly basis.

Credit policies

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

Credit approvals

Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the Credit Committee and designated officers under the delegated approving limits set by the Board, with input from BoM. The credit approving limits in place are structured based on the need of delegation required to manage the network of branches, without compromising the risk appetite of the group/company.

7.3.2 Credit quality analysis

The table below sets out an analysis of the lease, loan and receivables from customers and net investment in leases and hire purchase portfolio between those that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired.

As at 31st March	Group		Company	
	2022	2021	2022	2021
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Neither past due nor individually impaired loans and leases	30,825,393	26,304,740	30,836,038	26,312,219
Past due but not individually impaired loans				
- Up to 30 days past due	12,535,156	12,116,837	12,527,680	12,116,837
- 31-60 days past due	6,679,027	8,403,004	6,679,027	8,403,006
- 61-90 days past due	3,048,044	5,622,398	3,048,044	5,622,398
- 91-120 days past due	2,191,530	3,943,480	2,191,530	3,943,480
- Over 120 days	8,310,813	13,677,037	8,310,813	13,677,037
Individually impaired loans	1,020,473	768,025	1,020,473	768,025
Provision for Individually significant impairment	(721,592)	(576,008)	(721,592)	(576,008)
Provision for Individually not significant impairment	(5,262,586)	(5,744,979)	(5,262,586)	(5,744,979)
Total loans and advances & leases	58,626,258	64,514,535	58,629,427	64,522,014
Of which held at fair value through profit or loss amounts to;	None	None	None	None

Notes to the Financial Statements

7.3.3 Maximum exposure to credit risk

The table below represents the group/company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31st March 2022, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

On Balance sheet exposure Collateral Type wise

As at 31st March	Group			
	Amortised cost	Net Exposure	Amortised cost	Net Exposure
	2022	2022	2021	2021
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Cash at banks (Clean)	712,789	712,789	387,502	387,502
Securities bought under repurchase agreements	5,201,821	-	4,378,520	-
Financial assets at amortised cost - Debt and other financial instruments	22,310,336	21,753,396	4,473,794	3,825,162
Loans and receivables - Cash Backed	922,333	-	971,876	-
Loans and receivables - Equipment	209,068	-	371,048	-
Loans and receivables - Others	1,112,883	1,027,770	1,359,119	1,275,890
Loans and receivables - Properties	379,505	-	389,958	-
Loans and receivables - Vehicles	56,002,469	-	61,422,535	-
Trade & Other receivable (Clean)	2,686,713	2,686,713	1,531,474	1,531,474
	89,537,917	26,180,667	75,285,826	7,020,028

On Balance sheet exposure Collateral Type wise

As at 31st March	Company			
	Amortised cost	Net Exposure	Amortised cost	Net Exposure
	2022	2022	2021	2021
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Cash at banks (Clean)	210,611	210,611	330,027	330,027
Securities bought under repurchase agreements	5,201,821	-	4,378,520	-
Financial assets at amortised cost - Debt and other financial instruments	20,933,341	20,376,401	4,226,850	3,578,218
Loans and receivables - Cash Backed	932,978	-	982,425	-
Loans and receivables - Equipment	209,068	-	371,048	-
Loans and receivables - Others	1,105,407	1,027,770	1,365,133	1,281,904
Loans and receivables - Properties	379,505	-	380,873	-
Loans and receivables - Vehicles	56,002,469	-	61,422,535	-
Trade & Other receivable (Clean)	873,135	873,135	379,998	379,998
	85,848,334	22,487,917	73,837,409	5,570,147

Contingencies and Commitment related exposures - Collateral type wise

As at 31st March	Collateral types	Instrument	Group		Company	
			2022	2021	2022	2021
			(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Lease receivables		Letters of Credit	5,325	19,106	5,325	19,106
Guarantees		Cash backed	29,165	70,185	29,165	70,185

7.3.4 Collateral held and other credit enhancements

Most of our lending activities are secured by tangible assets with the majority being motor vehicles and equipment. Hence, the company has a fall back in the event of default. Collaterals obtained are supported by enforceable documentation. The main types of collaterals obtained are Vehicles, Equipment, Properties, Machinery, Treasury bills and Bonds, Deposits, Trade receivable and, Corporate and Personal Guarantees. The company does not hold any collateral where it is permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. There have not been any change to the quality of collaterals obtained due to change in the policy of collaterals. The Company has not assessed impairment on Securities bought under repurchase agreements due to the fact these are secured by government securities. Loans which are collateralised by deposits with netting agreements are given under maximum exposure to credit risk as Loans and Receivables - Cash Backed. The total amount of cash backed collateral is Rs. 1,704 Million. (2021- Rs. 2,952 Million) Collateral value of individually significant credit impaired contracts amounts to Rs. 360 Million (2021- Rs. 226 Million).

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations. The total repossessed vehicles held by the Company by taking possession of collateral held as security against leases and held at 31 March 2022 amounted to Rs. 169.87 Million (2021- Rs. 452.32 Million)

7.3.5 Concentration of Credit Risk

Credit concentration

The risk of loss due to the concentration of credit risk to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set for counterparty or groups of connected counterparties, asset type, industry sectors, etc. Credit concentrations are monitored by IRMC and ALCO in each of the product type categories and such limits as material to the group/company are reviewed accordingly.

The Company/Group monitors concentration of credit risk by geographic locations and by sector.

Top 20 Concentration of the lending portfolio

As at 31st March	Group		Company		Group		Company	
	2022				2021			
	(Rs. '000)	(%)	(Rs. '000)	(%)	(Rs. '000)	(%)	(Rs. '000)	(%)
Top 20	2,490,336	3.85	2,490,336	3.85	2,100,117	2.96	2,100,117	2.96
Balance Portfolio	62,120,100	96.15	62,123,269	96.15	68,735,405	97.04	68,742,884	97.04
Total Portfolio (gross carrying amount)	64,610,436	100.00	64,613,605	100.00	70,835,522	100.00	70,843,001	100.00

Geographical Analysis of the Lending Portfolio

As at 31st March	Group		Company		Group		Company	
	2022				2021			
	(Rs. '000)	(Rs. '000)	(%)		(Rs. '000)	(Rs. '000)	(%)	
Province								
Western	23,640,348	23,643,517	40.33		26,555,642	26,563,121	41.16	
Central	8,617,414	8,617,414	14.70		9,178,862	9,178,862	14.23	
North Western	7,491,864	7,491,864	12.78		7,982,120	7,982,120	12.37	
Sabaragamuwa	5,299,652	5,299,652	9.04		5,582,698	5,582,698	8.65	
Southern	4,107,254	4,107,254	7.01		4,860,377	4,860,377	7.53	
North Central	3,464,723	3,464,723	5.91		3,667,465	3,667,465	5.68	
Uva	2,850,159	2,850,159	4.86		3,302,355	3,302,355	5.12	
Eastern	2,048,812	2,048,812	3.49		2,231,331	2,231,331	3.46	
Northern	1,106,032	1,106,032	1.89		1,153,686	1,153,686	1.79	
Total	58,626,258	58,629,427	100.00		64,514,535	64,522,014	100.00	

Notes to the Financial Statements

SECTOR-WISE CONCENTRATION OF THE LENDING PORTFOLIO

As at 31st March	Group			
	2022		2021	
	(Rs. '000)	(%)	(Rs. '000)	(%)
Agriculture	1,385,595	2.36	1,827,236	2.83
Construction	760,760	1.30	846,712	1.31
Industry	881,524	1.50	762,367	1.18
Services	4,799,102	8.18	5,474,560	8.48
Tourism	491,435	0.84	724,155	1.12
Trading	1,863,173	3.17	2,088,258	3.24
Transport	33,750,543	57.57	43,039,281	66.70
Others	14,694,127	25.07	9,751,965	15.13
Total Portfolio	58,626,258	100.00	64,514,535	100.00

As at 31st March	Company			
	2022		2021	
	(Rs. '000)	(%)	(Rs. '000)	(%)
Agriculture	1,385,595	2.36	1,827,236	2.83
Construction	760,760	1.30	846,712	1.31
Industry	881,524	1.50	762,367	1.18
Services	4,799,102	8.19	5,474,560	8.48
Tourism	491,435	0.84	724,155	1.12
Trading	1,863,173	3.17	2,088,258	3.24
Transport	33,750,543	57.57	43,039,281	66.70
Others	14,697,296	25.07	9,759,444	15.13
Total Portfolio	58,629,427	100.00	64,522,014	100.00

7.3.6 Amount Arising from ECL

CREDIT MONITORING AND MEASUREMENT

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

- Probability of default (PD) – the likelihood of a borrower not being able to honour his obligations.
- Exposure at default (EAD) – the exposure to a borrower who is unable to honour his obligations, at the point of default.
- Loss given default (LGD) – the historical loss associated with a delinquent loan or defaulted borrower.

In addition to the above three elements, the company also uses forward looking information including macro-economic information to arrive at the expected credit losses. SLFRS- 9 proposes that Significant increase in credit risk is presumed to have occurred when contractual payments are more than 30 days past due and default is presumed at 90 days past due. For leases and other loans we have rebutted the significant increase in credit risk presumption to 60 days and default presumption to 120 days to align these parameters to the internal risk management practices of the company. For Term and Business loans the company has adopted 30 days past due as the point in which significant increase in credit risk occurs and 90 days as the point in which default occurs in line with the internal risk management practices of the company. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, usually at the point of default or individually assessed as impaired.

The methodology adopted was used consistently at each reporting date. The impairment based on the expected credit loss model computed for individually significant loans and individually not significant loans for identified risk categories is given in notes 17 to the financial statements on pages 160 to 167. The total interest income on impaired financial assets accrued for the year 2021/22 amounted to Rs. 589 Million (2020/21 - Rs. 318 Million). The carrying amount of loans that would otherwise be past due or impaired, whose terms have been modified amounted to Rs. 1,266 Million (2020/21 - Rs. 1,344 Million). Life time impairment of such modified loans amounted to Rs. 594 Million (2020/21 - Rs. 349 Million). On such loans, life time impairment has been computed considering them as having significant increase in credit risk and at subsequent reporting periods if those loans are no longer considered to have experienced a significant increase in credit risk, impairment on such loans is assessed for 12 months. There were no gains or losses recognised during the year in modifying these contracts. The Company/ Group's the individually significant loans into two broad categories and the following factors were considered in determining the impairment of those assets;

- Loan servicing history of the borrower
- Borrower's with legal and regulatory compliance
- Financial standing of the borrower
- Other general economic conditions affecting the borrower's repayment ability

Individually not significant leases and loans are grouped based on the collateral type as this grouping better represents the shared credit risks.

The implementation of island wide lockdowns and travel restrictions to control the COVID 19 virus spread throughout the financial year ended 31 March 2021 had severely impacted the business and economic activities resulting in a significant impairment charge amounting to Rs. 3.26 Billion for the financial year ended 31 March 2021. The overall impairment charge decreased this year in line with Company's strategic initiatives in 2021-22. As a result of easing off of nationwide lockdown restrictions and revival of economic activities from latter part of 2021 till year end, the Company took strategic initiatives to continuously engage with the customer base and provide customer-centric financial solutions for repayments in a sustainable manner resulting in better recoveries compared to previous year.

In assessing the Expected Credit Loss (ECL) for the year ended 31 March 2022, the Company has taken into consideration the potential losses in loans and lease portfolios due to significant deterioration in the macro-economic indicators and increased level of uncertainties. Due to lack of historic data to address the prevailing volatile economic conditions, the Company continued to build management overlays for the potential impairment arising from the loans and lease portfolios, outside the ECL model by using various scenario based stress testing techniques to ensure adequate provision for impairment is recognised in the financial statements as of 31 March 2022.

For impairment assessment of individually significant customers, the Company has identified the customers showing signs of distress and SICR. As part of management overlay, the projected recovery cash flows have been extended to reflect the current market conditions. Collective impairment assessment has been carried out using the ECL model which has been refined with revised assumptions to reflect the prevailing economic conditions. As part of management overlay, the exposures outstanding from the customers that have been classified as "stage 1" and "stage 2" have specifically been stressed on potential downgrade to reflect the impact of macro-economic uncertainty in relation to the business/customers and resultant additional impairment provisions have been recognized in these financial statements. The Company has also used various scenario based macro-economic indicator assessment including qualitative indicators relating to forward looking macro-economic environment with the objective of capturing the potential impact of the deteriorating economic conditions and COVID-19 pandemic.

Notes to the Financial Statements

CREDIT RISK EXPOSURE IMPAIRMENT STAGE WISE (LEASES, LOANS AND DEBT & OTHER INVESTMENTS)

As at 31st March	Group			
	Amortized Cost	Impairment	Amortized Cost	Impairment
	2022		2021	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Stage 1	79,069,320	1,878,252	55,969,739	548,995
Stage 2	4,778,402	678,373	9,964,244	609,639
Stage 3	6,177,088	3,525,599	9,952,477	5,251,003
	90,024,809	6,082,224	75,886,460	6,409,637

As at 31st March	Company			
	Amortised Cost	Impairment	Amortised Cost	Impairment
	2022		2021	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Stage 1	75,379,469	1,830,082	54,521,044	510,012
Stage 2	4,778,402	678,373	9,964,244	609,639
Stage 3	6,177,088	3,525,599	9,952,477	5,251,003
	86,334,958	6,034,054	74,437,765	6,370,654

The following tables show reconciliations of stage wise opening to the closing balance of the amortise cost of lease and loan portfolio. The basis for determining transfers due to changes in credit risk is given in the accounting policy on note 17.

	Group			
	Stage 01	Stage 02	Stage 03	Total
	2022			
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Amortise cost as at the Beginning of the Year	45,090,721	10,573,926	15,170,876	70,835,522
Transfer to Stage 01	3,257,806	(1,774,698)	(1,483,108)	-
Transfer to Stage 02	(3,040,749)	3,800,041	(759,292)	-
Transfer to Stage 03	(1,710,648)	(2,781,608)	4,492,256	-
New Assets Originated or Purchased	28,411,816	826,941	181,146	29,419,903
Financial Assets Derecognized or Repaid	(22,529,492)	(5,187,826)	(7,367,100)	(35,084,417)
Write-offs	-	-	(561,472)	(561,472)
As at the End of the Year	49,480,354	5,456,776	9,673,306	66,410,436

	Group			
	Stage 01	Stage 02	Stage 03	Total
	2021			
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Amortise cost as at the Beginning of the Year	55,319,159	17,011,558	12,447,535	84,778,252
Transfer to Stage 01	3,687,507	(3,350,010)	(337,498)	-
Transfer to Stage 02	(5,480,395)	5,787,203	(306,808)	-
Transfer to Stage 03	(3,729,767)	(5,789,888)	9,519,655	-
New Assets Originated or Purchased	18,913,017	1,320,381	1,007,329	21,240,727
Financial Assets Derecognized or Repaid	(23,618,800)	(4,405,319)	(4,450,495)	(32,474,614)
Write-offs	-	-	(2,708,842)	(2,708,842)
As at the End of the Year	45,090,721	10,573,926	15,170,876	70,835,522

	Company			
	Stage 01	Stage 02	Stage 03	Total
	2022			
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Amortise cost as at the Beginning of the Year	45,098,200	10,573,926	15,170,876	70,843,001
Transfer to Stage 01	3,257,806	(1,774,698)	(1,483,108)	-
Transfer to Stage 02	(3,040,749)	3,800,041	(759,292)	-
Transfer to Stage 03	(1,710,648)	(2,781,608)	4,492,256	-
New Assets Originated or Purchased	28,411,816	826,941	181,146	29,419,903
Financial Assets Derecognized or Repaid	(22,532,902)	(5,187,826)	(7,367,100)	(35,087,827)
Write-offs	-	-	(561,472)	(561,472)
As at the End of the Year	49,483,523	5,456,776	9,673,306	64,613,605

	Company			
	Stage 01	Stage 02	Stage 03	Total
	2021			
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Amortise cost as at the Beginning of the Year	55,330,499	17,011,558	12,447,537	84,789,590
Transfer to Stage 01	3,687,507	(3,350,010)	(337,498)	-
Transfer to Stage 02	(5,480,395)	5,787,203	(306,808)	-
Transfer to Stage 03	(3,729,767)	(5,789,888)	9,519,655	-
New Assets Originated or Purchased	18,913,017	1,320,381	1,007,329	21,240,727
Financial Assets Derecognized or Repaid	(23,622,660)	(4,405,319)	(4,450,495)	(32,478,474)
Write-offs	-	-	(2,708,842)	(2,708,842)
As at the End of the Year	45,098,200	10,573,926	15,170,876	70,843,001

Impairment charge /(reversal) on lending portfolios-loans/leases

	Company/ Group	
	2022	2021
	(Rs. '000)	(Rs. '000)
Stage 01	1,314,446	(145,724)
Stage 02	68,734	(38,896)
Stage 03	(1,157,113)	2,935,951
Impairment charge on lending portfolios (Note 17)	226,067	2,751,331

Impairment charges recognised against loans and advances include the overlay adjustments made in Stage 1 and 2 outside ECL model using various stress testing techniques in order to address the potential implications of uncertain macroeconomic conditions and COVID 19 outbreak.

Notes to the Financial Statements

Impairment Provision by Class of Financial Instruments of the Group

	Impairment as at 01.04.2021	12 months ECL for the year	lifetime ECL not credit-impaired	lifetime ECL credit-impaired	Impairment as at 31.03.2022
		Stage 01	Stage 02	Stage 03	
Cash and cash equivalents	178	(1)	-	-	177
Financial assets at amortised cost - Debt and other financial instruments	35,144	10,035	-	(5,000)	40,179
Loan and receivables from customers	967,535	96,756	(25,997)	(8,285)	1,030,009
Net investment in lease and hire purchase	5,353,452	1,217,688	94,732	(1,711,704)	4,954,168
Trade and other receivables	53,327	6,031	-	(1,668)	57,690
Total	6,409,636	1,330,509	68,735	(1,726,657)	6,082,224

	Impairment as at 01.04.2020	12 months ECL for the year	lifetime ECL not credit-impaired	lifetime ECL credit-impaired	Impairment as at 31.03.2021
		Stage 01	Stage 02	Stage 03	
Cash and cash equivalents	70	108	-	-	178
Financial assets at amortised cost - Debt and other financial instruments	16,850	(5,456)	-	23,750	35,144
Loan and receivables from customers	1,228,352	(62,226)	9,253	(207,843)	967,535
Net investment in lease and hire purchase	5,050,011	(83,362)	(48,149)	434,952	5,353,452
Trade and other receivables	39,172	13,213	-	942	53,327
Total	6,334,455	(137,724)	(38,896)	251,801	6,409,637

Impairment Provision by Class of Financial Instruments of the Company

	Impairment as at 01.04.2021	12 months ECL for the year	lifetime ECL not credit-impaired	lifetime ECL credit-impaired	Impairment as at 31.03.2022
		Stage 01	Stage 02	Stage 03	
Cash and cash equivalents	151	25	-	-	176
Financial assets at amortised cost - Debt and other financial instruments	34,847	9,381	-	(5,000)	39,228
Loan and receivables from customers	967,535	96,756	(25,997)	(8,285)	1,030,009
Net investment in lease and hire purchase	5,353,452	1,217,688	94,732	(1,711,704)	4,954,168
Trade and other receivables	14,668	(2,527)	-	(1,668)	10,473
Total	6,370,653	1,321,323	68,735	(1,726,657)	6,034,054

	Impairment as at 01.04.2020	12 months ECL for the year	lifetime ECL not credit-impaired	lifetime ECL credit-impaired	Impairment as at 31.03.2021
		Stage 01	Stage 02	Stage 03	
Cash and cash equivalents	68	83	-	-	151
Financial assets at amortised cost - Debt and other financial instruments	16,006	(4,909)	-	23,750	34,847
Loan and receivables from customers	1,228,352	(62,236)	9,253	(207,843)	967,535
Net investment in lease and hire purchase	5,050,011	(83,353)	(48,149)	434,952	5,353,452
Trade and other receivables	13,726	-	-	942	14,668
Total	6,308,163	(150,415)	(38,896)	251,801	6,370,654

Sensitivity of ECL To Future Economic Conditions

The uncertainty and volatility of prevailing economic conditions and impact of COVID 19 have introduced significant estimation uncertainty in relation to measurement of allowance for expected credit losses. The uncertainty of the macro-economic environment and businesses and consumer responses in relation to same could result in significant adjustments to the allowance for expected credit losses in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

	Sensitivity effect on statement of Financial position				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
10% increase of Probability of Default (PD)	57,752	13,629	-	71,381	(71,381)
10% decrease of Probability of Default (PD)	(57,752)	(13,629)	-	(71,381)	71,381
1% increase of Loss Given Default (LGD)	5,775	1,547	21,628	28,950	(28,950)
1% decrease of Loss Given Default (LGD)	(5,775)	(1,547)	(21,628)	(28,950)	28,950
Change in Economic Factor					
Worse case 5% increase and best case 5% decrease, base case constant	5,003	1,393	-	6,396	(6,396)
Worse case 5% decrease and best case 5% increase, base case constant	(5,005)	(1,394)	-	(6,399)	6,399

7.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations.

7.4.1 Management of liquidity risk

Policy, framework and governance

The Company has in place a robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk. This ensures that the Company always maintains sufficient, eligible and appropriate financial resources to meet its future financial commitments as they fall due. The Statement of Financial Position and liquidity have remained strong and surpass the regulatory liquidity thresholds comfortably. It is the Company's policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due. Customer deposits provide stable funding to support the majority of our lending. The Company also has a contingency funding plan by way of undrawn approved bank lines. The analysis of maturing contractual financial liabilities is given below.

Liquidity measurement and monitoring

The Company uses a set of internal and regulatory metrics and analysis to assess liquidity risk. ALCO is the monitoring body responsible for overseeing the liquidity management policies. The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at our monthly ALCO meetings. The pricing of deposit maturities are done in a way to curb the maturity mismatches between our lending and borrowing portfolios.

Management is closely monitoring the developments related to the COVID-19 and the current macro-economic condition and has continued to keep its risk management measures under review to readily respond to changing circumstances. The Company is satisfied with its existing buffer of liquid assets and other short term financial instruments.

Notes to the Financial Statements

7.4.2 II. Maturity analysis for financial liabilities

The following tables set out the remaining contractual maturities of the Company's and Group's financial liabilities

Company	Up to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)
Interest bearing liabilities:												
Bank overdrafts	215,438	1,444,603	-	-	-	-	-	-	-	-	215,438	1,444,604
Financial liabilities at amortised cost - Interest bearing borrowings	14,239	968,496	40,233	40,303	38,245	88,533	-	-	-	-	92,717	1,097,332
Financial liabilities at amortised cost - Deposits	13,193,874	15,244,794	27,675,518	27,102,340	9,942,155	10,167,975	1,673,563	4,105,861	-	-	52,485,110	56,620,970
Lease liabilities	34,537	32,864	136,485	135,317	294,453	271,444	135,409	154,121	125,561	134,675	726,444	728,421
Total interest bearing liabilities	13,458,088	17,690,757	27,852,236	27,277,960	10,274,852	10,527,952	1,808,973	4,259,982	125,561	134,675	53,519,709	59,891,326
Group												
Interest bearing liabilities:												
Bank overdrafts	224,369	1,455,291	-	-	-	-	-	-	-	-	224,369	1,455,291
Financial liabilities at amortised cost - Interest bearing borrowings	541,366	1,547,155	110,093	40,303	60,229	88,533	-	-	-	-	711,688	1,675,991
Financial liabilities at amortised cost - Deposits	13,156,624	15,016,342	27,419,457	26,884,548	9,942,155	10,167,975	1,673,563	4,105,861	-	-	52,191,799	56,174,727
Lease liabilities	23,740	32,928	104,095	135,317	199,443	177,726	135,409	100,910	125,561	134,675	588,248	581,556
Total interest bearing liabilities	13,946,099	18,051,716	27,633,645	27,060,168	10,201,827	10,434,234	1,808,973	4,206,771	125,561	134,675	53,716,104	59,887,565

7.4.3 Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Company maintains agreed lines of credit with banks and holds short term assets that can be converted to cash with short notice.

As at	31.03.2022 (Rs. '000)	31.03.2021 Rs.000
Liquid Assets available against the minimum requirement		
The required minimum amount of liquid assets	4,972,380	3,214,112
Total liquid assets	20,964,406	5,904,691
Surplus/(deficit)	15,992,026	2,690,579
The required minimum amount of approved securities	4,025,795	2,552,384
The available amount of approved securities	6,248,745	4,378,520
Surplus/(deficit)	2,222,950	1,826,136

7.5 Market Risk

Market risk is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

The group/company does not have any exposure to foreign currency risk as there are no foreign currency assets or liabilities as at 31.03.2022.

7.5.1 Management of market risks

Organisation and Structure

The Board approves the appetite for market risks and the framework of limits applicable for same. The company has a strong control environment facilitated by a well-structured organisation which has enabled it to strengthen segregation of duties in respect of critical functions. The group is exposed to the following market risks.

- Interest rate risk: arising from changes in yield curves and credit spreads
- Equity price risk: arising from changes in the prices of equities and equity price indices

7.5.2 Equity price risk

The Group/Company is exposed to market movements in equity price fluctuations through the quoted Fair Value through Profit or Loss Investments portfolio. The IRMC and ALCO continually review the relevant exposure limits.

A comprehensive evaluation process is also carried out prior to investment decisions. Regular monitoring of price levels is done through the Investment function to mitigate adverse movements in the stock market.

Equity price sensitivity

Sensitivity analysis measures the sensitivity of the current portfolio to defined market risk factor movements. The table below gives the sensitivity analysis of the market risks, the company is exposed to.

Assumption	Impact to Profit and Equity			
	2022		2021	
	Group (Rs. '000)	Company (Rs. '000)	Group (Rs. '000)	Company (Rs. '000)
Increase/ decrease in equity price by 10%	44,362	23,768	79,619	58,248
Increase/ decrease in equity price by 20%	88,724	47,536	159,238	116,496

7.5.3 Interest Rate Sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities. This sensitivity analysis was performed on the net interest margin for the year and the methodology adopted is consistent with the previous years' methodologies.

Net interest income sensitivity

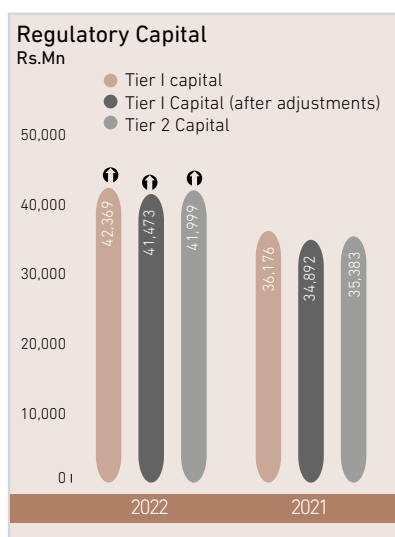
Assumption	2022		2021	
	Impact to Profit and Equity		Impact to Profit and Equity	
	Group (Rs. '000)	Company (Rs. '000)	Group (Rs. '000)	Company (Rs. '000)
Increase/ decrease in Interest margin by 1%	371,725	355,214	324,640	310,822
Increase/ decrease in Interest margin by 2%	743,450	710,430	649,215	621,645

Notes to the Financial Statements

7.6 Capital Management

The Company's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. The Company maintains a strong capital base to support the risks inherent in its business. For regulatory purposes, the company's capital base is divided into two main categories, namely Core Capital (Tier 1) and Total Risk Weighted Capital. The composition of capital under the current regulatory requirement for 31st March 2022 is provided in the table below. The figures reported here may differ from the figures reported in the statement of financial position as the above are based on the prudential regulatory requirements. It is the regulatory Statement of Financial Position, and not the financial accounting Statement of Financial Position, which forms the basis for the calculation of regulatory capital requirements.

Item	2021/2022 Rs.'000	2020/2021 Rs.'000
Tier I capital	42,369,303	36,175,692
Stated capital	2,230,286	1,961,598
Reserve fund	2,715,000	2,371,000
Audited retained earnings/(losses)	11,624,233	7,558,557
(less) Revaluation gains/surplus of investment property	(3,192)	(11,629)
General and other disclosed reserves	25,802,975	24,296,166
Adjustments to Tier I capital	896,520	1,284,021
Other intangible assets (net)	84,809	100,280
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	331,772
50% of investment in banking and financial subsidiary companies	24,750	24,750
50% of investment in other banking and financial institutions	786,961	827,219
Tier I Capital (after adjustments)	41,472,782	34,891,671
Revaluation gains	1,337,814	1,343,790
Eligible Tier 2 Capital	1,337,814	1,343,790
Total Adjustments to eligible Tier 2 Capital	811,711	851,969
50% of investment in banking and financial subsidiary companies	24,750	24,750
50% of investment in other banking and financial institutions	786,961	827,219
Eligible Tier 2 Capital after adjustments	526,103	491,821
Total Capital	41,998,885	35,383,492
Tier I Capital Adequacy Ratio - minimum 8% (2021-7%)	44.32%	32.42%
Total Capital Adequacy Ratio - minimum 12% (2021-11%)	44.89%	32.88%



The regulatory capital requirements was increased to 8% - Tier I and 12% - Total Capital with effect from 01 July 2021 in compliance with the Finance Business Act Direction No 03 of 2018 - Capital Adequacy requirements and the company has complied with the minimum requirements of capital.

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Accounting Policy

Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the Financial Statements

Fair Value Hierarchy

The Group measures the fair values of financial instruments using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1

When available, the fair values of financial instruments are determined using quoted market prices (unadjusted) in active markets for identical instruments. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted equities are valued under Level 1 by referring to published market prices.

Level 2 - Fair value measurement using significant observable inputs

In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. These include discounted cash flow analysis, effective interest rate calculations and forecasted future cash flow calculations using recent arm's length transactions between knowledgeable and willing parties. These valuation techniques make maximum use of market inputs, incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Investments in unit trusts are valued under level 2 by referring to prices published by the unit trusts managers.

Level 3 - Fair value measurement using significant unobservable inputs

Financial instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. Fair value of such instruments are determined using a valuation model that has been tested against prices or inputs to actual market transactions and best estimates of the most appropriate model assumptions. Fair value of unquoted equity securities are determined using net assets value as an approximation of its fair value.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities recorded in the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The group measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements.

UNCERTAIN MACRO ECONOMIC CONDITIONS AND IMPACT OF COVID-19

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

The majority of valuation models the Group uses only observable market data as inputs. The Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of economic conditions and COVID-19 on the classification of exposures in the fair value hierarchy.

For certain financial instruments, the company may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value.

8.1 Financial assets and financial liabilities measured at fair value - Fair value hierarchy

The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard- SLFRS 9 Financial Instruments.

As at 31st March	Group			
	2022			
	Level 1 (Rs. '000)	Level 2 (Rs. '000)	Level 3 (Rs. '000)	Total (Rs. '000)
Fair value through profit or loss financial assets				
Investments in quoted securities	443,619	-	-	443,619
Unquoted equities	-	-	104,794	104,794
Investments in units	-	1,107,471	-	1,107,471
	443,619	1,107,471	104,794	1,655,884

As at 31st March	Group			
	2021			
	Level 1 (Rs. '000)	Level 2 (Rs. '000)	Level 3 (Rs. '000)	Total (Rs. '000)
Fair value through profit or loss financial assets				
Investments in quoted securities	796,185	-	-	796,185
Unquoted equities	-	-	104,335	104,335
Investments in units	-	14,769,373	-	14,769,373
	796,185	14,769,373	104,335	15,669,893

As at 31st March	Company			
	2022			
	Level 1 (Rs. '000)	Level 2 (Rs. '000)	Level 3 (Rs. '000)	Total (Rs. '000)
Fair value through profit or loss financial assets				
Investments in quoted securities	237,676	-	-	237,676
Unquoted equities	-	-	102,817	102,817
Investments in units	-	627,600	-	627,600
	237,676	627,600	102,817	968,093

As at 31st March	Company			
	2021			
	Level 1 (Rs. '000)	Level 2 (Rs. '000)	Level 3 (Rs. '000)	Total (Rs. '000)
Fair value through profit or loss financial assets				
Investments in quoted securities	582,478	-	-	582,478
Unquoted equities	-	-	102,337	102,337
Investments in units	-	13,615,166	-	13,615,166
	582,478	13,615,166	102,337	14,299,981

Notes to the Financial Statements

8.2 Level 3 fair value measurements

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurements in level 3 of the fair value hierarchy.

As at	Group		Company	
	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)	31.03.2022 (Rs. '000)	31.03.2021 (Rs. '000)
Balance at the beginning of the year	104,335	100,567	102,337	98,762
Changes in fair value during the year	459	3,768	480	3,575
Balance at the end of the year	104,794	104,335	102,817	102,337

Level 03 valuations have been determined using valuation techniques which approximate the fair value.

There have been no transfers among level 01 level 02 and level 03 in 2021/22 and 2020/21.

8.3 Unobservable inputs used in measuring fair value

	Fair value as at 31.03.2022		Valuation technique	Fair value measurement sensitivity to unobservable inputs
	Group (Rs.'000)	Company (Rs.'000)		
Investment in unquoted equities	104,794	102,817	Net asset value per share	Increase in net asset value by 10% would increase the fair value by 10%.
	2021/22 Net asset value per share (Rs.)	2020/21 Net asset value per share (Rs.)		
Credit Information Bureau of Sri Lanka	21,068.15	20,982.60		
Finance Houses Consortium (Pvt) Ltd.	56.03	52.69		
Rajawella Holdings Ltd.	36.20	36.60		
Telshan Network (Pvt)Ltd.	-	-		

8.4 Fair value of financial assets and liabilities not measured at fair value - Group

Description	Amortised cost	Fair Value			Total
		Level 1	Level 2	Level 3	
As at 31st March 2022					
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Cash and cash equivalents	1,199,681	-	1,199,681	-	1,199,681
Securities bought under repurchase agreements	5,201,821	-	5,111,201	-	5,111,201
Financial assets at amortised cost- Debt and other financial instruments	22,310,336	-	21,397,154	-	21,397,154
Financial assets at amortised cost- Loans and receivables from customers	4,724,669	-	4,494,546	-	4,494,546
Financial assets at amortised cost- Net investment in leases and hire purchase	53,901,589	-	53,901,589	-	53,901,589
Trade receivables	1,589,992	-	1,589,992	-	1,589,992
Other financial assets	67,667	-	67,667	-	67,667
Total financial assets	88,995,755	-	87,761,830	-	87,761,830
Bank overdrafts	224,369	-	224,369	-	224,369
Financial liabilities at amortised cost -Deposits	48,715,464	-	49,010,033	-	49,010,033
Financial liabilities at amortised cost -Interest bearing borrowings	708,465	-	697,388	-	697,388
Lease liabilities	425,001	-	423,788	-	423,788
Other liabilities	1,952,999	-	1,952,999	-	1,952,999
Total financial liabilities	52,026,298	-	52,308,577	-	52,308,577

As at 31st March 2021 Description	Amortised cost	Fair Value			Total
		Level 1	Level 2	Level 3	
			2021		
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Cash and cash equivalents	988,137	-	988,137	-	988,137
Securities bought under repurchase agreements	4,378,520	-	4,378,520	-	4,378,520
Financial assets at amortised cost- Debt and other financial instruments	4,473,794	-	4,483,162	-	4,483,162
Financial assets at amortised cost- Loans and receivables from customers	3,405,974	-	3,499,567	-	3,499,567
Financial assets at amortised cost- Net investment in leases and hire purchase	61,108,561	-	61,108,561	-	61,108,561
Trade receivables	1,077,716	-	1,077,716	-	1,077,716
Other financial assets	123,687	-	123,687	-	123,687
Total financial assets	75,556,389	-	75,659,350	-	75,659,350
Bank overdrafts	1,455,291	-	1,455,291	-	1,455,291
Financial liabilities at amortised cost -Deposits	52,152,495	-	53,468,666	-	53,468,666
Financial liabilities at amortised cost					
-Interest bearing borrowings	1,673,965	-	1,675,608	-	1,675,608
Lease liabilities	390,449	-	271,389	-	271,389
Other liabilities	1,034,105	-	1,034,105	-	1,034,105
Total financial liabilities	56,706,305	-	57,905,059	-	57,905,059

Fair value of financial assets and liabilities not measured at fair value - Company

As at 31st March Description	Amortised cost	Fair Value			Total
		Level 1	Level 2	Level 3	
			2022		
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Cash and cash equivalents	697,234	-	697,234	-	697,234
Securities bought under repurchase agreements	5,201,821	-	5,111,201	-	5,111,201
Financial assets at amortised cost- Debt and other financial instruments	20,933,341	-	20,020,159	-	20,020,159
Financial assets at amortised cost- Loans and receivables from customers	4,727,838	-	4,497,715	-	4,497,715
Financial assets at amortised cost- Net investment in leases and hire purchase	53,901,589	-	53,901,589	-	53,901,589
Other financial assets	76,805	-	76,805	-	76,805
Total financial assets	85,538,628	-	84,304,703	-	84,304,703
Bank overdrafts	215,438	-	215,438	-	215,438
Financial liabilities at amortised cost -Deposits	49,024,182	-	49,318,751	-	49,318,751
Financial liabilities at amortised cost					
-Interest bearing borrowings	88,329	-	88,158	-	88,158
Lease liabilities	542,760	-	541,547	-	541,547
Other liabilities	617,316	-	617,316	-	617,316
Total financial liabilities	50,488,025	-	50,781,210	-	50,781,210

Notes to the Financial Statements

Fair value of financial assets and liabilities not measured at fair value - Company

As at 31st March Description	Amortised cost	Fair Value			Total
		Level 1	Level 2	Level 3	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Cash and cash equivalents	930,383	-	930,383	-	930,383
Securities bought under repurchase agreements	4,378,520	-	4,378,520	-	4,378,520
Financial assets at amortised cost- Debt and other financial instruments	4,226,850	-	4,236,218	-	4,236,218
Financial assets at amortised cost- Loans and receivables from customers	3,413,453	-	3,507,046	-	3,507,046
Financial assets at amortised cost- Net investment in leases and hire purchase	61,108,561	-	61,108,561	-	61,108,561
Other financial assets	103,524	-	103,524	-	103,524
Total financial assets	74,161,291	-	74,264,252	-	74,264,252
Bank overdrafts	1,444,603	-	1,444,603	-	1,444,603
Financial liabilities at amortised cost -Deposits	52,587,069	-	53,903,240	-	53,903,240
Financial liabilities at amortised cost -Interest bearing borrowings	1,091,332	-	1,092,975	-	1,092,975
Lease liabilities	537,314	-	418,254	-	418,254
Other liabilities	637,304	-	637,304	-	637,304
Total financial liabilities	56,297,622	-	57,496,376	-	57,496,376

Fair values of the following assets and liabilities are estimated for the purpose of disclosure as described below:

Financial assets measured at amortised cost - loans and receivables from customers

The loans and receivables from customers comprise of long term and short term loans, auto loans, sub loans and micro finance loans , loans against fixed deposits and loans to employees granted at fixed rates. The carrying value of short term loans generally approximates the fair value due to the short term nature, while the fair value of long term loans and receivables from customers are determined by discounting the expected future cash flows using the lending rates prevailed at the reporting dates.

Financial assets measured at amortised cost - debt and other instruments

These comprise of investments in fixed deposits with banks and financial institutions, commercial and securitisation papers and debentures.

The fair values of debentures, deposits with banks and financial institutions and investments in commercial and securitisation papers are estimated at the present value of future cash flows expected to be received from such investments calculated based on interest rates at the reporting date for similar instruments.

Financial liabilities measured at amortised cost – Deposits

The fair value of customer deposits which are repayable on demand or have a remaining contractual maturity of less than one year, approximates to the carrying value of such deposits.

The fair value of customer deposits with a contractual maturity of more than one year, is estimated as the present value of future cash flows expected from such deposits calculated based on interest rates at the reporting date for similar types of deposits.

Financial liabilities at amortised cost -Interest bearing borrowings

The fair value of interest bearing borrowings is determined by discounting the future cash flows by the interest rates prevailing as at the reporting date for similar instruments

Other financial assets and liabilities

The carrying values of assets and liabilities listed below are reasonable approximation of their fair values since, those are short term in nature or re-priced to current market rates frequently:

Assets

Cash and cash equivalents
Securities bought under repurchase agreements
Trade receivables
Other assets

Liabilities

Bank overdrafts
Other liabilities

9 BUSINESS SEGMENT INFORMATION

Accounting policy

A segment is a distinguishable component of the group that is engaged in providing an individual product or service (business segment) or in providing services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. In accordance with Sri Lanka Accounting Standard (SLFRS 8) - Operating Segments, segmental information is presented for identifiable operative units of the group. Inter-segment transfers are accounted for at competitive fair market prices charged to inter- company counterparts for similar services and such services are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Unallocated items comprise mainly corporate assets , expenses, tax assets and liabilities.

No revenue from transactions with a single external customer or counter party amounted to 10% or more of the Group's total revenue in 2021/22 and 2020/21.

Basis for Segmentation

Group's activities have been segregated into seven segments according to the nature of products or services rendered. These business segments comprise of leasing hire purchase and advances, medical services, power generation, manufacturing, insurance broking, investments and real estate.

The disposal of investment held in Mark Marine Services (Private) Limited during the year resulted in discontinuation of operations in the "power generation" on 30th September 2021. The said disposal has not been identified as discontinued operations separately in the consolidated income statements based on the materiality. The detailed disclosure relating to the divestment is given in Note 33.2

Segment performance is evaluated based on operating income, profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements.

Income taxes are not allocated to operating segments. Other expenses which cannot be directly identified against a particular business segment have been treated as consolidation adjustments.

The Group's management reviews internal management reports from each division at least monthly.

Notes to the Financial Statements

9.1 Information about reportable segments

Segment information is presented in respect of the Group's business segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

All figures in Rs.000	Leasing, hire purchase and other advances		Medical services		Power generation	
For the year ended 31st March	2022	2021	2022	2021	2022	2021
Revenue						
Interest income	13,085,709	16,044,854	1,100	8,317	-	-
Other revenue	-	-	102,196	96,562	52,213	91,116
Net income from financial instruments at FVTPL	4,329	8,268	5,150	8,099	-	-
Operating lease income	1,055,079	1,015,166	-	-	-	-
Other income	1,277,175	637,948	586	725	-	-
Income from external customers	15,422,292	17,706,236	109,032	113,703	52,213	91,116
Inter - segment income	26,612	29,597	1	1	1,487	527
Total income	15,448,904	17,735,833	109,033	113,704	53,700	91,643
Expenses						
Interest expenses	(3,575,903)	(5,740,406)	-	-	-	-
Depreciation & amortisation	(621,697)	(721,169)	(10,217)	(10,946)	-	(10)
Cost of sales	-	-	(49,365)	(46,251)	(11,448)	(19,059)
Impairments and other credit losses	(273,789)	(3,255,434)	9	206	-	-
Other operating and administrative expenses	(3,967,227)	(3,305,390)	(45,568)	(47,140)	(933)	(2,343)
	(8,438,616)	(13,022,399)	(105,141)	(104,131)	(12,381)	(21,412)
Inter - segment expenses	(66,592)	(68,284)	-	-	(1,236)	(2,492)
Total expenses	(8,505,208)	(13,090,683)	(105,141)	(104,131)	(13,617)	(23,904)
Segment results	6,943,696	4,645,150	3,892	9,573	40,083	67,739
Share of profit of equity accounted investees						
Operating profit before taxes on financial services						
Taxes on financial services						
Profit before tax						
Income tax expense						
Profit for the year						
Non-controlling interest						
Profit attributable to equity holders of the parent						
	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021
Segment assets	91,257,134	79,925,665	642,623	643,436	-	143,711
Investments in equity accounted investees						
Unallocated assets						
Total assets	91,257,134	79,925,665	642,623	643,436	-	143,711
Segment liabilities	48,053,143	53,778,327	78,924	82,254	-	20,129
Unallocated liabilities						
Total liabilities	48,053,143	53,778,327	78,924	82,254	-	20,129
For the year ended 31st March	2022	2021	2022	2021	2022	2021
Additions to non-current assets	568,753	478,170	6,993	204	-	-
Additions to intangible assets	21,822	11,586	-	-	-	-
Additions to right of use assets	154,575	134,246	-	-	-	-
Cash flows from operating activities	7,195,574	15,583,951	5,180	10,305	110,555	(25,296)
Cash flows from investing activities	(716,213)	(424,243)	(6,145)	(6,172)	-	19,742
Cash flows from financing activities	(2,009,125)	(7,790,086)	-	-	(6,000)	6,000

Geographic information - The Group function in one geographic location. Accordingly, geographic information is not presented in the financial statements.

Manufacturing		Insurance broking		Investments		Real estate		Intra segmental adjustments		Total	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
3,360	2,003	47,128	45,787	1,081,974	500,735	131	2,617	-	-	14,219,402	16,604,313
6,748,114	4,139,726	257,554	300,624	-	-	-	-	-	-	7,160,077	4,628,028
38,319	18,994	24,943	21,081	606,014	1,037,845	(21)	193	-	-	678,734	1,094,480
									-	1,055,079	1,015,166
3,100	8,839	71,852	29,152	160,098	106,023	1,889	4,155	(47,758)	(134,563)	1,466,942	652,279
6,792,893	4,169,562	401,477	396,644	1,848,086	1,644,603	1,999	6,965	(47,758)	(134,563)	24,580,234	23,994,266
29	239	61,892	10,687	284,163	105,306	49,707	47,679	(423,891)	(194,036)	-	-
6,792,922	4,169,801	463,369	407,331	2,132,249	1,749,909	51,706	54,644	(471,649)	(328,599)	24,580,234	23,994,266
-	-	-	-	(213,426)	(407,457)	(7,587)	(19,020)	14,017	16,692	(3,782,899)	(6,150,191)
(54,213)	(55,247)	(16,002)	(14,634)	(13)	(8)	(2,475)	(2,475)	47,607	46,795	(657,010)	(757,694)
(5,283,737)	(3,286,502)	-	-	-	-	-	-	-	-	(5,344,550)	(3,351,812)
(13,250)	(14,908)	(598)	214	18	2,383	446	(2,990)	198	64	(286,966)	(3,270,465)
(765,142)	(344,437)	(102,146)	(97,289)	(727)	(829)	(10,744)	(14,667)	(56,071)	(53,563)	(4,948,558)	(3,865,658)
(6,116,342)	(3,701,094)	(118,746)	(111,709)	(214,148)	(405,911)	(20,360)	(39,152)	5,751	9,988	(15,019,983)	(17,395,820)
-	(34)	(23,977)	(26,973)	(1,119)	(1,360)	(1,494)	(1,338)	94,418	100,481	-	-
(6,116,342)	(3,701,128)	(142,723)	(138,682)	(215,267)	(407,271)	(21,854)	(40,490)	100,169	110,469	(15,019,983)	(17,395,820)
676,580	468,673	320,646	268,649	1,916,982	1,342,638	29,852	14,154	(371,480)	(218,130)	9,560,251	6,598,446
										1,388,131	1,069,144
										10,948,382	7,667,590
										(1,298,900)	(863,462)
										9,649,482	6,804,128
										(2,373,343)	(1,024,160)
										7,276,139	5,779,968
										273,352	235,836
										7,002,787	5,544,132
As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021	As at 31.03.2022	As at 31.03.2021
5,392,846	3,735,436	2,514,273	2,427,489	9,400,456	21,886,400	933,504	1,157,056	(4,538,267)	(4,829,268)	105,602,569	105,089,925
										9,221,337	8,276,910
										782,043	1,030,663
5,392,846	3,735,436	2,514,273	2,427,489	9,400,456	21,886,400	933,504	1,157,056	(4,538,267)	(4,829,268)	115,605,949	114,397,498
2,643,963	1,455,202	295,900	325,772	2,772,365	2,779,428	461,622	528,034	(837,949)	(1,006,559)	53,467,968	57,962,587
										4,667,828	4,929,462
2,643,963	1,455,202	295,900	325,772	2,772,365	2,779,428	461,622	528,034	(837,949)	(1,006,559)	58,135,796	62,892,049
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
156,216	68,877	4,601	6,513	-	65	-	-	-	-	736,563	553,829
806	-	-	-	-	-	-	-	-	-	22,628	11,586
-	-	16,663	13,027	-	-	-	-	(16,663)	(13,027)	154,575	134,246
										-	-
614,791	305,269	129,764	109,121	(3,724,555)	(7,520,666)	37,992	23,364	77,643	12,690	4,446,944	8,498,738
(141,785)	(497,951)	(134,191)	(126,843)	248,796	192,817	(8,362)	6,458	(173,039)	(129,000)	(930,939)	(965,192)
(3,478)	208,705	(13,746)	(45,821)	-	-	(31,130)	(27,937)	95,396	116,310	(1,968,083)	(7,532,829)

Notes to the Financial Statements

10 GROSS INCOME

Gross revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income (Note 11)	14,219,402	16,604,313	14,163,102	16,546,553
Other revenue (Note 14)	7,160,077	4,628,028	-	-
Operating lease income (Note 15)	1,055,079	1,015,166	1,058,806	1,019,196
Net income from financial instruments at FVTPL (Note 13)	678,734	1,094,480	599,436	1,030,158
Other income (Note 16)	1,466,942	652,279	1,679,225	810,293
	24,580,234	23,994,266	17,500,569	19,406,200

11 INTEREST INCOME

Accounting Policy

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

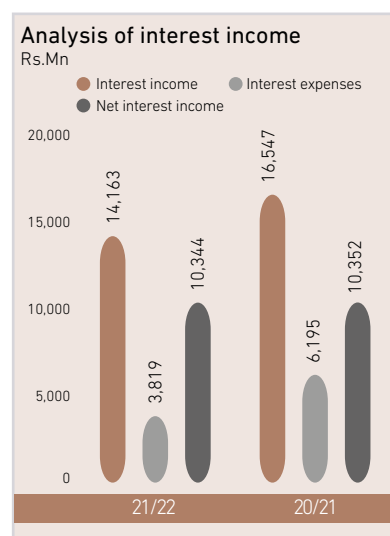
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.



Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income reverts to a gross basis, if the credit risk of the asset improves.

Overdue interest

Overdue interest on leases, hire purchase, loans and other advances is recognised on cash basis.

Presentation

Interest income calculated using the effective interest method presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net investment in leases and hire purchase	12,565,798	15,496,809	12,565,798	15,496,809
Loans and receivables from customers	519,067	519,364	518,663	518,350
Financial assets at amortised cost -debt and other financial instruments	829,419	408,952	773,523	352,206
Securities bought under repurchase agreements	305,118	179,188	305,118	179,188
	14,219,402	16,604,313	14,163,102	16,546,553

The entirety of the interest income is derived from financial instruments held at amortised cost.

12 INTEREST EXPENSES

Accounting Policy

Refer Note 11

Presentation

Interest expense presented in the income statement includes financial liabilities measured at amortised cost and interest expense on lease liabilities.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial liabilities at amortised cost -Deposits	3,714,968	5,130,566	3,737,448	5,158,494
Financial liabilities at amortised cost -Interest bearing borrowings	21,404	946,546	21,404	946,546
Debt securities issued	-	28,340	-	28,340
Interest on lease liabilities	46,527	44,739	60,544	61,431
	3,782,899	6,150,191	3,819,396	6,194,811

Interest expenses of the Group other than the parent company are categorised under premises, equipment, establishment and other expenses.

Notes to the Financial Statements

13 NET INCOME FROM FINANCIAL INSTRUMENTS AT FVTPL

Accounting policy

Net income from financial instruments at FVTPL relates to results arising from trading activities including all gains and losses from realised and unrealised fair value changes, related capital gains and losses and dividend income.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity investments - Quoted				
Dividend income	34,472	32,696	23,105	30,003
Fair value gains(losses)	(70,976)	192,105	(83,128)	197,737
Equity investments - Unquoted				
Dividend income	11,585	15,446	11,585	15,446
Fair value gains(losses)	460	3,768	480	3,575
Unit trusts - Unquoted				
Fair value gains/(losses)	703,193	850,465	647,394	783,397
	678,734	1,094,480	599,436	1,030,158

14 OTHER REVENUE

Accounting Policy

Other revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the other revenue and associated costs incurred or to be incurred can be reliably measured. Other revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of other revenue.

Insurance broking

Commission income on insurance broking is recognised on an accrual basis and matched with related costs and expenses.

Manufacturing and trading

The revenue is recognised when a customer obtains control of the goods or services – determining the timing of the transfer of control – at a point in time or overtime requires judgement.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes and after eliminating sales within the Group.

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with trade returns and trade discounts.

Medical services

Revenue from hospital services is recognised once all significant performance obligations have been provided. The timing of the delivery of service depends on the individual service contracts. Service income is recognised by reference to the stage of completion of the transactions at the end of the reporting period.

Rendering of services – power generation

Revenue from energy supplied is recognised upon delivery of energy to Ceylon Electricity Board and delivery of electrical energy is completed when electrical energy meeting the specifications as set out in the Power Purchase Agreement is received at the metering point. The additional information on divestment of Mark Marine Services (Private) Limited is given in Note 33.2.

	Group	
	2021/22 Rs.'000	2020/21 Rs.'000
Manufacturing and trading income	6,748,114	4,139,726
Insurance broking	257,554	300,624
Medical services	102,196	96,562
Power generation (Up to September 2021)	52,213	91,116
Total other revenue	7,160,077	4,628,028
Cost of sales	5,393,157	3,399,801
Net other revenue	1,766,920	1,228,227

15 OPERATING LEASE INCOME

Accounting policy

See accounting policies in note 38.

Income from operating leases is recognised on a straight-line basis over the lease term and accounted under operating lease income.

	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Operating lease income	1,055,079	1,015,166	1,058,806	1,019,196
	1,055,079	1,015,166	1,058,806	1,019,196

16 OTHER INCOME

Accounting policy

Fees 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.

Fees 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.

Dividend income

Dividend income from investment other than FVTPL instruments is recognised in the income statement on the date the group's right to receive payment is established. Usually, this is the ex-dividend date for quoted equity securities.

Real estate held for sale

Real estate income is recognised on an accrual basis.

Rental income on rent-purchase facilities for real estate

Rental income on rent-purchase facilities provided on sale of real estate is recognised on accrual basis.

Profit/loss from sale of property, plant, and equipment

Profit/loss from sale of property, plant and equipment is recognised in the period in which the sale occurs.

Notes to the Financial Statements

16 OTHER INCOME (CONTD.)

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Service charges	161,811	148,204	161,811	148,204
Recovery of bad debts written off	918,713	222,807	918,713	222,807
Profit on sale of property, plant and equipment	115,352	164,924	111,670	164,924
Dividend income from subsidiaries	-	-	98,355	70,306
Dividend income from associates	-	-	119,718	74,776
Other fee income	41,835	43,794	41,835	43,794
Gain on disposal of a subsidiary company (Note 33.2)	181,324	-	158,774	-
Gain on liquidation of an associate company (Note 34.1)	(1,226)	-	1,824	-
Loss on disposal of an investment property (Note 36.5)	(15,844)	-	(15,844)	-
Profit on real estate operations	1,889	4,135	1,889	4,135
Profit on maintenance of vehicles	6,514	4,308	6,514	4,308
Others	56,574	64,107	73,966	77,039
	1,466,942	652,279	1,679,225	810,293

17 IMPAIRMENT AND OTHER CREDIT LOSSES

Accounting policy

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables; and
- Loan commitments issued.

No impairment loss is recognised on equity investments other than subsidiary investments.

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

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12 month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12 month ECL is recognised are referred to as stage 1 financial instruments.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as Stage 2 financial instruments.

Both LTECLs and 12 month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The group has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the company categorises its loans and advances and net investments in leases and hire purchase into Stage 01 (12 month ECL), Stage 2 (Lifetime ECL - not credit impaired) and Stage 3 (Life time ECL - credit impaired).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations)

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

1. a quantitative test based on movement in PD;
2. qualitative indicators; and
3. a backstop of 30 days past due for term loans and business loans and 60 days past due for leases and other loans.

COVID-19 initiatives

For facilities subject to the COVID-19 repayment deferral arrangements, an assessment of Significant Increase in Credit Risk (SICR) has been determined based on various measures of the customer's current financial position, future earnings capacity and the sectors in which the customers operate from which the facilities are categorised into risk categories. SICR is then determined based on the resulting risk categorisation. Based on the risk categorisation, facilities have been stress tested and required allowance overlays have been made.

Generating the term structure of PD

The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Credit impaired financial assets/ Definition of default

At each reporting date, the group assesses, whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

In assessing whether a borrower is in default, the company considers indicators that are:

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources

The company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due for term loans and business loans and 120 days past due for leases and other loans on any material credit obligation to the Company.

Notes to the Financial Statements

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower
- A breach of contract such as a default or past due event
- The restructuring of a loan or advance by the group on terms that the group would not consider otherwise
- It is becoming probable that the borrower will enter bankruptcy or other financial renegotiation or
- The disappearance of an active market for a security because of financial difficulties

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using a variety of external actual and forecasted information.

The Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables credit risk and credit losses.

The economic variables used by the Company based on the statistical significance include the followings:

- Unemployment Rate
- Interest Rate
- GDP Growth Rate
- Inflation Rate
- Exchange Rate

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- Financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- Lease receivables: the discount rate used in measuring the lease receivable;
- Undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- Financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Calculations of ECL

The ECL is calculated based on three probability weighted scenarios to measure the expected cash shortfall (the base case, the best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received by selling the asset.

Key elements of the ECL calculations are:

Probability of default (PD)

The probability of default is an estimation of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

Exposure at default (EAD)

The exposure at default is an estimation of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from past due contracts.

Loss given default (LGD)

The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as and when required, as temporary adjustments when such differences are significantly material.

Calculations of ECLs for individually significant loans and individually not significant loans

The group first assesses ECLs individually for financial assets that are individually significant to the group. In the event the group determines that such assets are not impaired (not in stage 3), it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with financial asset's current carrying amount.

The impairment on individually significant accounts is reviewed on a regular basis. Individually assessed impairment is only reversed when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised on the net carrying value of the asset.

Notes to the Financial Statements

For all customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant, the group calculates ECL on an individual basis. For all other asset classes, the group calculates ECL on a collective basis. The group categorises these exposures into smaller portfolios, based on a combination of internal and external characteristics of the loans such as product type, type of collateral, past due status industry of the borrower and whether the loan is restructured or rescheduled.

Collateral valuation

The collateral comes in various forms, such as vehicles, equity securities, real estate, inventories, and other non-financial assets. The fair value of collateral affects the calculation of ECLs. The group uses active market data, to the extent possible to value financial assets held as collateral. Non-financial collateral, such as vehicles and real estate, are valued based on data provided by third parties such as independent valuation specialists to the extent it is practically possible.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

Write-offs

Uncollectible loans are written off against the related allowance for loan impairment on completion of the company's internal processes and when all reasonably expected recoverable amounts have been collected. The timing and extent of write-offs may involve some element of subjective judgment. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that part or the entire advance, is beyond realistic prospect of recovery. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death of the borrower. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty. Assets that are written off may be subject to enforcement activity and if there is any recovery on such assets that is recognised as other income in the income statement. The contractual amount outstanding on financial assets that were written off during the year ended 31st March 2022 and that are still subject to enforcement activity is Rs. 453 Million (2021 - Rs 2,623 Million)

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written-back by reducing the loan impairment allowance accordingly. The write-back is recognised in the income statement.

Purchase of credit-impaired (POCI) financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition.

Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Regulation issued by Central Bank of Sri Lanka ("CBSL")

During the year the CBSL issued various circulars after the outbreak of COVID-19 relating to moratorium/debt relief/credit support to customers and industries schemes offered by the Government to support recovery of the economy. These circulars had/expected to have impact on recognition of interest income, stage-wise classification of facilities and computation of expected credit loss.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Impairment losses on financial assets (Expected credit losses (ECL) on financial assets)

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL, the Group determines whether the credit risk of a financial asset has increased significantly since initial recognition. In regard to this, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessments including forward-looking information based various assumptions. The Company has provided relief measures such as deferment of repayment terms of credit facilities for the affected businesses and individuals due to COVID-19 in line with the directions issued by the Central Bank of Sri Lanka. Given the high degree of uncertainty and unprecedented circumstances in the short term economic outlook, the management exercised judgements in the assessment of the impact of prevailing economic conditions and COVID-19 outbreak on the loans and advances portfolio. In response to prevailing economic conditions and COVID-19, the Group's expectations of economic impacts, key assumptions used in the Group's calculation of expected credit losses have been revised. As at the reporting date, the expected impacts of the economic conditions and COVID-19 have been captured via the modelled outcome as well as an additional provision as the management overlay computed outside the model using various scenario based stress testing techniques reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19 and macro-economic uncertainty. Although the inputs and assumptions used in the ECL model, including forward looking macroeconomic assumptions, have been revised in response to prevailing economic conditions and COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

Judgement Assumptions	Description	Consideration for 31 March 2022
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, lease, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from 12 month ECL to life time ECL.	For leases and other loans we have rebutted the significant increase in credit risk presumption to 60 days and default presumption to 120 days to align these parameters to the internal risk management practices of the Company. For Term and Business loans the Company has adopted 30 days past due as the point in which significant increase in credit risk occurs and 90 days as the point in which default occurs in line with the internal risk management practices of the company. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, usually at the point of default or individually assessed as impaired.
Measuring 12 month expected credit losses and lifetime expected credit losses	The Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) credit risk parameters used in determining ECL are point-in time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to Company's policy on impairment assessment.

Notes to the Financial Statements

Judgement Assumptions	Description	Consideration for 31 March 2022
Probability weighting of each economic scenario (base case, best case and worse case scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	<p>The key consideration for probability weightings in the current period is the prevailing significant deterioration of macro-economic indicators and continuing impact of COVID-19.</p> <p>In addition to the base case forecast which reflects the negative economic consequences of the certain macro-economic conditions and COVID-19 greater weightage has been applied to the worse case scenario given the Group's assessment of downside risks. The assigned probability weightages are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.</p>
Management overlay	Temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to Group's lending portfolio due to emerging local or global macroeconomic uncertainty and resultant volatility in the business environment that are not incorporated into the current parameters. The use of management overlay may impact the amount of ECL recognised.	Management has applied a various scenario based assessments to assess the potential loss of the customers primarily due to the uncertainty associated with significant deterioration of macro-economic indicators and COVID-19 and continued to build in management overlay outside the expected credit loss model due to lack of historical data to address prevailing economic conditions.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impairment and other credit losses				
Charge / (write back) on individually significant loans (Note 30.1 (a) & 31.3(a))	168,603	208,228	168,603	208,228
Charge / (write back) on individually not significant loans (Note 30.1 (b) & 31.3 (b))	57,464	2,543,103	57,464	2,543,103
	226,067	2,751,331	226,067	2,751,331
Charge / (write back) on other credit losses (Note 30.2 & 44.1)	(1,831)	3,148	(1,831)	3,148
Charge / (write back) on other assets (Note 43.1)	(93)	942	(93)	942
Charge / (write back) on trade receivable (Note 32.1)	13,250	14,904	-	-
Charge / (write back) on other financial assets (Note 26.1 & 29.1)	5,034	18,402	4,405	18,924
Net loss arising from derecognition of financial assets measured at amortised cost	44,539	481,738	44,539	481,738
	286,966	3,270,465	273,087	3,256,083

Net loss arising from derecognition of financial assets measured at amortised cost represents the net losses incurred on contracts after realisation of collateral of defaulted clients. This has been included under impairments and other credit losses to present the total credit losses for better presentation.

18 OPERATING EXPENSES

Accounting policy

Expenses

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenses incurred in the running of the business and in maintaining property, plant and equipment in a state of efficiency are charged to the income statement while interest and other expenses payable are recognised on an accrual basis.

Crop insurance levy

Section 14 of the Finance Act No. 12 of 2013 imposed a crop insurance levy on institutions under the purview of:

- ✎ Banking Act No. 30 of 1988.
- ✎ Finance Business Act No. 42 of 2011
- ✎ Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, the company is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 01st April 2013.

Notes to the Financial Statements

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating expenses include the following:				
Directors' emoluments	260,030	151,350	238,790	143,703
Legal expenses	10,489	12,462	9,892	11,424
Depreciation (Note 37.1)	483,533	575,843	414,638	505,605
Amortisation on right of use assets (Note 38.1)	135,867	138,618	169,766	172,507
Amortisation of intangible assets (Note 39.1)	37,610	43,233	37,293	43,057
Audit and related fees and expenses	4,740	4,963	3,366	3,376
Non-audit fees and expenses	1,402	1,252	1,171	689
Donations	5,857	2,038	5,352	2,025

19 PERSONNEL EXPENSES

Accounting Policy

See accounting policy in Note 47.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Employees' Provident Fund and Employees' Trust Fund are post-employment benefit plans under which an entity pay fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognised as an expense in the Statement of Comprehensive Income when incurred.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contributions respectively. All employees of the Group are members of the Employees' Provident Fund.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Salaries and other benefits	2,254,766	1,777,610	1,971,900	1,521,486
Contributions to defined benefit plans (Note 19.1)	216,151	270,893	196,814	246,330
Contributions to defined contribution plans (Note 19.3)	234,083	218,996	191,006	179,213
	2,705,000	2,267,499	2,359,720	1,947,029

Contributions to defined benefit plans - Employee retirement benefit expenses

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
19.1 Amounts recognised in the income statement				
Current service cost (Note 47)	86,859	93,255	75,636	80,612
Interest cost (Note 47)	136,617	182,591	127,559	170,671
Past service cost (Note 47)	(6,072)	-	(5,128)	-
Expected return on assets (Note 47)	(1,253)	(4,953)	(1,253)	(4,953)
	216,151	270,893	196,814	246,330

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
19.2 Amounts recognised in the other comprehensive income				
Gains /(losses) due to changes in assumptions	57,381	(1,152)	38,653	4,499
Actuarial gains/(losses) due to experience adjustments	(47,464)	(15,676)	(41,847)	(12,374)
Actuarial gains/(losses) on retirement benefit obligation	9,917	(16,828)	(3,194)	(7,875)
Actuarial gains/(losses) on plan assets	(1,034)	1,525	(1,034)	1,525
	8,883	(15,303)	(4,228)	(6,350)

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
19.3 Contributions to defined contribution plans				
Employer's contribution to employees' provident fund	188,314	176,077	153,850	144,241
Employer's contribution to employees' trust fund	45,769	42,919	37,156	34,972
	234,083	218,996	191,006	179,213

19.4 Amendments to the provisions of Minimum Age of Workers Act No 28 of 2021

With the implementation of the provisions of Minimum Age of Workers Act No 28 of 2021, the Company revised the minimum retirement age of its employees during the year as follows.

Age of employee (As at 17th November 2021)	Minimum Retirement Age
54 or above and below 55 years	57 Years
53 or above and below 54 years	58 Years
52 or above and below 53 years	59 Years
Below 52 years	60 Years

The said extension of retirement age has been recognised as plan amendment in accordance with LKAS-19 in the actuarial valuation as at 31st March 2022 and resulted in a past service benefit of Rs.5.13 Million and Rs.6.07 Million for company and the group respectively has been recognised in the income statement during the year ended 31st March 2022.

Notes to the Financial Statements

20 SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES, NET OF TAX

See accounting policies in Note 34.

	Group	
	2021/22 Rs.'000	2020/21 Rs.'000
Nations Trust Bank PLC	1,383,645	1,046,560
Tea Smallholder Factories PLC	4,486	19,497
Capital Suisse Asia Ltd.	-	3,087
	1,388,131	1,069,144

21 TAXES ON FINANCIAL SERVICES

Accounting policy

Value added tax on financial services

The value base for Value Added Tax (VAT) for the company is the adjusted accounting profit before tax and employee emoluments. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates as per the VAT Act. Value Added Tax Act No. 14 of 2002 (VAT Act) amended as passed in Parliament on March 24, 2022 & VAT rate on the supply of financial services by a specified institution or other person has been increased from 15% to 18% with effect from January 01, 2022 .

	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Value Added Tax on financial services	1,298,900	863,462	1,298,900	863,462
	1,298,900	863,462	1,298,900	863,462

22 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and these are disclosed in note 58.

Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous year. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Taxable profit is determined in accordance with the provisions of Inland Revenue Act No. 24 of 2017.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- ✎ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ✎ Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- ✎ Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

As per Inland Revenue Act No. 24 of 2017, which became effective from 01st April 2018, capital assets will attract tax at applicable rates on the gains at the time of disposal.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the Financial Statements

		Group		Company	
		2021/22	2020/21	2021/22	2020/21
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
22.1	Amount recognised in profit or loss				
	Current tax expenses				
	Current tax charge for the year (Note 22.4)	2,861,096	2,444,174	2,602,318	2,263,003
	Under/(over) provision for previous years	(53,862)	6,391	(56,117)	14,833
		2,807,234	2,450,565	2,546,201	2,277,836
	Deferred tax expense				
	Deferred tax liabilities (Note 42)				
	Reversal of temporary differences during the year	(228,784)	(1,020,919)	(227,801)	(1,018,809)
	Effect of change in tax rate	-	(403,953)	-	(373,887)
		(228,784)	(1,424,872)	(227,801)	(1,392,696)
	Deferred tax assets (Note 42)				
	Originated during the year	(205,107)	(77,900)	(205,444)	(72,701)
	Effect of change in tax rate	-	76,367	-	66,553
		(205,107)	(1,533)	(205,444)	(6,148)
		(433,891)	(1,426,405)	(433,245)	(1,398,844)
	Tax expenses	2,373,343	1,024,160	2,112,956	878,992

		Group		Company	
		2021/22	2020/21	2021/22	2020/21
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
22.2	Amount recognised in OCI				
	Deferred tax impact on revaluation reserve due to change of income tax rate (Note 42)	-	328,748	-	186,792
	Deferred tax impact on Gain/ (loss) on remeasurment of defined benefit liability (Note 42)	(1,514)	3,305	1,015	1,524
	Total deferred tax expense recognised in OCI	(1,514)	332,053	1,015	188,316

- 22.3 The Bill to amend the Inland Revenue Act No. 24 of 2017 was gazetted and issued on 18th March 2021 and the Bill was presented at the Parliament for first reading and approved on 26th March 2021. Accordingly, the new tax rates disclosed below have been considered to be substantially enacted as at 31st March 2021 for the computation of Current and Deferred tax. The new tax rate has been considered for current tax with effect from 01st January 2020.

Company	New tax rate (w.e.f. 01.01.2020)	Previous tax rate
	%	%
Central Finance Co PLC and subsidiaries (except for Mark Marine Services (Pvt) Ltd., Central Industries PLC, Central Mineral Industries (Pvt) Ltd., and Kandy Private Hospitals Ltd)	24	28
Mark Marine Services (Pvt) Ltd. (up to 30.09.2021)		
Operating income	14	14
Other income	24	28
Central Industries PLC		
Operating income	18	28
Other income	24	28
Central Mineral Industries (Pvt) Ltd.		
Operating income	18	28
Other income	24	28
Kandy Private Hospitals Ltd		
Operating income	14	14
Other income	24	28

Dividend income of the group is liable for tax at 14% from 01.01.2020.

Notes to the Financial Statements

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
22.4 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:				
Profit before tax	9,649,482	6,804,128	7,468,375	5,014,963
Share of profit of associates	(1,388,131)	(1,069,144)	-	-
Other consolidation adjustments	378,190	220,615	-	-
Accounting profit chargeable for income tax	8,639,541	5,955,599	7,468,375	5,014,963
Tax effect on chargeable profits				
24%(2020/21-28% up to 31.12.2020)	1,863,491	1,251,095	1,727,828	1,161,767
18%	150,205	85,988	-	-
14%	49,235	43,184	34,568	24,397
10%	3,226	-	2,218	-
	2,066,157	1,380,267	1,764,614	1,186,164
Tax effect on allowable credits	(153,010)	(319,837)	(77,362)	(289,630)
Tax effect on exempt profits	(35,148)	(54,223)	(37,667)	(52,219)
Tax effect on non- deductible expenses	898,236	1,297,657	857,114	1,270,511
Tax effect on gains / (losses) on disposals	95,619	148,177	95,619	148,177
Tax effect on losses claimed	(10,758)	(7,867)	-	-
Charged to income statement (Note 22.1)	2,861,096	2,444,174	2,602,318	2,263,003
Under/(over) provision for previous years	(53,862)	6,391	(56,117)	14,833
Temporary differences reversed during the year -deferred tax liability ,changes in tax rate (Note 42)	(228,784)	(1,424,872)	(227,801)	(1,392,696)
Temporary differences originated during the year -deferred tax asset ,changes in tax rate (Note 42)	(205,107)	(1,533)	(205,444)	(6,148)
	2,373,343	1,024,160	2,112,956	878,992
Effective tax rate (excluding deferred tax)	33.12	41.04	34.84	45.13

	Group	
	2021/22	2020/21
	Rs.'000	Rs.'000
22.5 Current Tax on Profit for the year		
Central Finance Company PLC	2,602,318	2,263,003
Central Industries PLC	175,894	96,923
Central Developments Ltd.	2,663	3,149
Dehigama Hotels Company Ltd.	10,424	9,602
Expanded Plastic Products (Pvt) Ltd.	215	266
Central Transport & Travels Ltd.	2,453	2,161
The Kandy Private Hospitals Ltd.	1,728	2,151
CF Insurance Brokers (Pvt) Ltd.	54,691	56,194
Central Mineral Industries (Pvt) Ltd.	(4)	-
Central Construction & Development (Pvt) Ltd.	268	-
Central Homes (Pvt) Ltd.	728	957
Mark Marine Services (Pvt) Ltd.	5,197	9,707
Hedges Court Residencies (Pvt) Ltd.	31	61
CF Growth Fund Ltd.	4,490	-
	2,861,096	2,444,174

		Group	
		2021/22	2020/21
		Rs.'000	Rs.'000
22.6	Tax Losses Brought Forward and Utilised during the Year		
	Balance as at the beginning of the year	56,115	87,762
	Losses originated during the year	-	1,133
	Reassessment of previous year Tax losses	1,316	-
	Tax losses utilised during the year	45,552	32,780
	Tax losses carried forward	11,879	56,115

23 EARNINGS PER SHARE

Accounting Policy

The Group presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees as per Sri Lanka Accounting Standard - LKAS 33 on "Earnings per Share".

		Group	
		2021/22	2020/21
		Rs.'000	Rs.'000
23.1	Basic Earnings per Share		
	Profit attributable to equity holders of the parent (Rs.'000)	7,002,787	5,544,132
	Weighted average number of ordinary shares used as denominator ('000)	227,354	227,354
	Basic and diluted Earnings per Share (Rs.)	30.80	24.39
	Weighted average number of ordinary shares for earnings per share		
		31.03.2022	31.03.2021
	Number of shares at the beginning of the year	227,354,462	224,024,987
	Restatement due to scrip dividend paid in July 2021	-	3,329,475
	Weighted average number of shares at the end of the year	227,354,462	227,354,462

Weighted average number of shares as at 31st March 2021 has been restated based on the number of shares issued as scrip dividend in July 2021 in accordance with Sri Lanka Accounting Standard - LKAS 33 - Earnings Per Share.

23.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 23.1.

Notes to the Financial Statements

24 Dividend per share

	Group	
	2021/22 Rs.'000	2020/21 Rs.'000
Dividends		
Paid:		
2021/22 -Rs.1.50	341,032	-
Proposed:		
2020/21 Final Rs.3.50	-	784,087
2021/22 Final Rs.2.00	454,709	-
	795,741	784,087
Dividend per share (Rs.) - Paid and proposed	3.50	3.50

Proposed Dividends

The Directors recommend that a final dividend of Rs. 2.00 per share be paid in cash for the financial year ended 31st March 2022. (2020/21 - Rs. 3.50 per share of which Rs. 2.30 per share paid in cash and Rs. 1.20 per share paid by way of scrip dividend.)

The final dividend is to be approved at the Annual General Meeting of the Company to be held on 30th June 2022. In accordance with Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”, this final dividend has not been recognised as a liability as at 31st March 2022. The final dividend proposed amounts to Rs. 454.71 Million (2020/21 total dividends paid to shareholders amounted to Rs. 784.07 Million).

Compliance with Sections 56 and 57 of Companies Act No. 07 of 2007

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with the Section 57, prior to recommending the final dividend. A statement of solvency completed and duly signed by the Directors on 24th May 2022 has been audited by Messrs KPMG.

25 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

The carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 “Financial Instruments” under headings of the statement of financial position are summarised below.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Classification of financial assets

The group used judgements when assessing of the business model within which the assets are held.

As at	Company						
	31.03.2022			31.03.2021			
	Fair Value	Amortised	Total	Fair Value	Amortised	Total	
	through	Cost	Carrying	through	Cost	Carrying	
	Profit or Loss		Amount	Profit or Loss		Amount	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
25 (a)	Analysis of Financial Instruments by Measurement Basis - Company						
	Assets						
	Cash and cash equivalents	-	697,234	697,234	-	930,383	930,383
	Fair value through profit or loss financial assets	968,093	-	968,093	14,299,981	-	14,299,981
	Securities bought under repurchase agreements	-	5,201,821	5,201,821	-	4,378,520	4,378,520
	Financial assets at amortised cost- Debt and other financial instruments	-	20,933,341	20,933,341	-	4,226,850	4,226,850
	Financial assets at amortised cost- Loans and receivables from customers	-	4,727,838	4,727,838	-	3,413,453	3,413,453
	Financial assets at amortised cost- Net investment in leases and hire purchase	-	53,901,589	53,901,589	-	61,108,561	61,108,561
	Other financial assets	-	76,805	76,805	-	103,524	103,524
	Total financial assets	968,093	85,538,628	86,506,721	14,299,981	74,161,291	88,461,272
	Liabilities						
	Bank overdrafts	-	215,438	215,438	-	1,444,603	1,444,603
	Financial liabilities at amortised cost -Deposits	-	49,024,182	49,024,182	-	52,587,069	52,587,069
	Financial liabilities at amortised cost -Interest bearing borrowings	-	88,329	88,329	-	1,091,332	1,091,332
	Lease liabilities	-	542,760	542,760	-	537,314	537,314
	Other financial liabilities	-	617,316	617,316	-	637,304	637,304
	Total financial liabilities	-	50,488,025	50,488,025	-	56,297,622	56,297,622

Notes to the Financial Statements

As at	Group					
	31.03.2022			31.03.2021		
	Fair Value through Profit or Loss Rs.'000	Amortised Cost Rs.'000	Total Carrying Amount Rs.'000	Fair Value through Profit or Loss Rs.'000	Amortised Cost Rs.'000	Total Carrying Amount Rs.'000
25 (b) Analysis of Financial Instruments by Measurement Basis - Group						
Assets						
Cash and cash equivalents	-	1,199,681	1,199,681	-	988,137	988,137
Fair value through profit or loss financial assets	1,655,884	-	1,655,884	15,669,893	-	15,669,893
Securities bought under repurchase agreements	-	5,201,821	5,201,821	-	4,378,520	4,378,520
Financial assets at amortised cost- Debt and other financial instruments	-	22,310,336	22,310,336	-	4,473,794	4,473,794
Financial assets at amortised cost- Loans and receivables from customers	-	4,724,669	4,724,669	-	3,405,974	3,405,974
Financial assets at amortised cost- Net investment in leases and hire purchase	-	53,901,589	53,901,589	-	61,108,561	61,108,561
Trade Receivable	-	1,589,992	1,589,992	-	1,077,716	1,077,716
Other financial assets	-	67,667	67,667	-	123,687	123,687
Total financial assets	1,655,884	88,995,755	90,651,639	15,669,893	75,556,389	91,226,282
Liabilities						
Bank overdrafts	-	224,369	224,369	-	1,455,291	1,455,291
Financial liabilities at amortised cost -Deposits	-	48,715,464	48,715,464	-	52,152,495	52,152,495
Financial liabilities at amortised cost -Interest bearing borrowings	-	708,465	708,465	-	1,673,965	1,673,965
Lease liabilities	-	425,001	425,001	-	390,449	390,449
Other financial liabilities	-	1,952,999	1,952,999	-	1,034,105	1,034,105
Total financial liabilities	-	52,026,298	52,026,298	-	56,706,305	56,706,305

26 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include cash in hand, demand placements with banks and highly liquid financial assets with original maturities within three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Bank overdrafts that are repayable on demand are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.
Refer Note 17 for the accounting policy on Expected Credit Loss.

Statement of cash flows

The statement of cash flow has been prepared using the direct method in accordance with Sri Lanka Accounting Standard 7 - Statement of Cash Flows. Cash and cash equivalents comprise cash in hand and balances with banks net of outstanding bank overdrafts.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand	486,892	600,635	486,623	600,356
Cash at bank	511,948	296,330	109,768	238,828
Savings deposits	201,018	91,350	101,018	91,350
Expected credit loss allowance (Note 26.1)	(177)	(178)	(175)	(151)
	1,199,681	988,137	697,234	930,383
Bank overdrafts	(224,369)	(1,455,291)	(215,438)	(1,444,603)
Cash and cash equivalents	975,312	(467,154)	481,796	(514,220)
Expected credit loss allowance	177	178	175	151
Cash and cash equivalents as per cash flow statement	975,489	(466,976)	481,971	(514,069)

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
26.1 Movement in expected credit loss allowance				
Balance at the beginning of the year	178	70	151	68
Charge / (write back) to income statement during the year	(1)	108	24	83
Balance at the end of the year	177	178	175	151

26.2 Credit and Market risk

Information about the Group's credit and market risks for financial assets are included in Note 7 to the financial statements.

27 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

See accounting policies in Note 4.3.

Financial assets measured at FVTPL are measured initially at fair value and subsequently recorded in the statement of financial position at fair value. Changes in fair value and dividend income are recognised in income statement.

Significant judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices.

	Group		Company	
	2021/22	2020/21	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Quoted securities (Note 27.1)	443,619	796,185	237,676	582,478
Unquoted equities (Note 27.2)	104,794	104,335	102,817	102,337
Investment in unit trusts (Note 27.3)	1,107,471	14,769,373	627,600	13,615,166
	1,655,884	15,669,893	968,093	14,299,981

Notes to the Financial Statements

	Group			
	No. of Shares	Cost	Market Value	No. of Shares
	31.03.2022	31.03.2022	31.03.2022	31.03.2021
		Rs.'000	Rs.'000	
27.1 Investments in quoted securities				
Banks				
Commercial Bank of Ceylon PLC	1,048,519	95,615	65,742	1,297,642
Commercial Bank of Ceylon PLC (non-voting)	81,818	8,524	4,983	79,742
Hatton National Bank PLC	270,387	46,324	29,540	263,616
Hatton National Bank PLC (non-voting)	-	-	-	852,579
National Development Bank PLC	237,666	30,522	13,238	237,666
Sampath Bank PLC	254,913	22,643	11,675	2,312,913
Sanasa Development Bank PLC	-	-	-	107,000
		203,628	125,178	
Capital goods				
Access Engineering PLC	-	-	-	570,743
ACL Cables PLC	320,000	16,516	18,240	-
Hayleys PLC	146,500	19,105	11,266	175,000
Hemas Holdings PLC	1,040,295	99,172	48,062	1,042,885
John Keells Holdings PLC	90,322	15,715	13,097	408,502
Lanka Tiles PLC	117,745	8,800	7,029	514,660
Lanka Walltiles PLC	190,000	15,442	13,244	303,935
Royal Ceramics Lanka PLC	541,000	25,225	22,019	-
Vallibel One PLC	200,000	15,370	8,040	56,812
		215,345	140,997	
Diversified financials				
Peoples Leasing & Finance PLC	1,242,310	19,777	10,063	1,122,113
LOLC Holdings PLC	51,084	35,474	30,523	-
Sarvodaya Development Finance PLC	40,300	886	503	-
		56,137	41,089	
Consumer durable				
Hela Apparel Holdings PLC	3,800	57	49	-
Materials				
CIC Holdings PLC (non-voting)	41,475	2,139	1,037	-
Energy				
Lanka IOC PLC	-	-	-	33,505
Food Beverage & Tobacco				
Ceylon Cold Stores PLC	510,000	36,784	19,839	68,000
Browns Investments PLC	3,305,000	37,002	24,481	-
		73,786	44,320	
Healthcare Equipment & Services				
Asiri Hospital Holdings PLC	-	-	-	769,629
Insurance				
HNB Assurance PLC	-	-	-	150,000
Materials				
Chevron Lubricants Lanka PLC	-	-	-	110,900
Dipped Products PLC	-	-	-	379,774
Haycarb PLC	-	-	-	60,000
Tokyo Cement Company (Lanka) PLC	385,458	30,511	13,067	385,458
Tokyo Cement Company (Lanka) PLC (non- voting)	250,000	16,283	6,575	170,000
		46,794	19,642	
Telecommunication Services				
Dialog Axiata PLC	2,186,733	27,063	21,866	3,161,733
Transportation				
Expolanka Holdings PLC	239,000	33,655	49,441	-
		658,604	443,619	

Group			Company					
Cost	Market Value	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value	
31.03.2021	31.03.2021	31.03.2022	31.03.2022	31.03.2022	31.03.2021	31.03.2021	31.03.2021	
Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000	
118,648	110,949	1,048,519	95,615	65,742	1,025,142	93,564	87,650	
8,364	6,268	81,818	8,524	4,983	79,742	8,364	6,268	
45,401	33,216	270,387	46,324	29,540	263,616	45,401	33,216	
97,703	82,870	-	-	-	633,079	72,792	61,535	
30,522	19,203	237,666	30,522	13,238	237,666	30,522	19,203	
122,432	124,435	254,913	22,643	11,675	1,832,913	97,302	98,611	
6,861	6,078	-	-	-	-	-	-	
429,931	383,019		203,628	125,178		347,945	306,483	
14,579	12,613	-	-	-	470,743	12,159	10,403	
-	-	-	-	-	-	-	-	
11,159	10,640	-	-	-	-	-	-	
99,317	86,977	779,000	74,183	35,990	779,000	74,183	64,969	
64,279	60,662	80,502	14,106	11,673	330,502	51,605	49,079	
29,368	27,887	-	-	-	270,660	10,014	10,055	
17,080	16,736	-	-	-	117,435	4,335	4,427	
-	-	-	-	-	-	-	-	
1,875	2,675	-	-	-	-	-	-	
237,657	218,190		88,289	47,663		152,296	138,933	
18,342	13,241	1,242,310	19,777	10,063	1,122,113	18,342	13,241	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
18,342	13,241		19,777	10,063		18,342	13,241	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
1,005	637	-	-	-	33,505	1,005	637	
49,161	42,279	510,000	36,784	19,839	51,000	36,784	31,709	
-	-	-	-	-	-	-	-	
49,161	42,279		36,784	19,839		36,784	31,709	
24,914	19,625	-	-	-	575,000	18,670	14,662	
3,240	8,895	-	-	-	150,000	3,240	8,895	
18,348	9,981	-	-	-	110,900	18,348	9,981	
16,420	17,623	-	-	-	81,874	2,866	3,799	
5,841	5,580	-	-	-	-	-	-	
30,511	25,710	385,458	30,511	13,067	385,458	30,511	25,710	
12,498	10,302	-	-	-	-	-	-	
83,618	69,196		30,511	13,067		51,725	39,490	
39,684	41,103	2,186,733	27,063	21,866	2,186,733	27,064	28,428	
-	-	-	-	-	-	-	-	
887,552	796,185		406,052	237,676		657,071	582,478	

Notes to the Financial Statements

	No. of Shares	Group		No. of Shares 31.03.2021
		Cost	Fair value	
		31.03.2022	31.03.2022	
		Rs.'000	Rs.'000	
27.2 Unquoted equities				
Credit Information Bureau of Sri Lanka.	4,827	637	101,696	4,827
Finance Houses Consortium (Pvt) Ltd.	20,000	200	1,121	20,000
Rajawella Holdings (Pvt) Ltd.	54,600	546	1,977	54,600
Telshan Network (Pvt) Ltd.	972,000	9,720	-	972,000
		11,103	104,794	

Fair value of unquoted investments is based on net asset value per share basis based on the valuation performed as per the latest financial statements of the respective companies.

The above fair value through profit or loss financial assets are measured at fair value through profit or loss upon initial recognition.

	No. of Units	Group		No. of Units 31.03.2021
		Cost	Market Value	
		31.03.2022	31.03.2022	
		Rs.'000	Rs.'000	
27.3 Unit Trusts				
First Capital Money Market Fund.	2,286	4,500	4,759	50,106,201
Capital Alliance Limited Income Fund.	46,027,297	978,360	1,020,772	150,078,570
Capital Alliance Limited Investment Grade Fund.	2,171,210	43,291	46,872	-
Asia Securities Money Market Fund	2,566,154	22,208	28,147	-
JB Vantage Money Market Fund.	-	-	-	170,367,799
NDB Wealth Money Plus Fund.	183,261	3,049	4,617	182,995,950
NDB Wealth Money Fund.	104,283	2,300	2,304	-
Namal High Yield Fund.	-	-	-	62,360,543
		1,053,708	1,107,471	

The group/company has not pledged any investments in quoted and unquoted securities measured at FVTPL as at 31.03.2022 and 31.03.2021.

The above fair value through profit or loss financial assets are measured at fair value through profit or loss upon initial recognition.

Group			Company				
Cost	Fair value	No. of Shares	Cost	Fair value	No. of Shares	Cost	Fair value
31.03.2021	31.03.2021		31.03.2022	31.03.2022	31.03.2021	31.03.2021	31.03.2021
Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000
637	101,283	4,827	637	101,696	4,827	637	101,283
200	1,054	20,000	200	1,121	20,000	200	1,054
546	1,998	-	-	-	-	-	-
9,720	-	972,000	9720	-	972,000	9,720	-
11,103	104,335		10,557	102,817		10,557	102,337

Group			Company				
Cost	Market Value	No. of Units	Cost	Market Value	No. of Units	Cost	Market Value
31.03.2021	31.03.2021	31.03.2022	31.03.2022	31.03.2022	31.03.2021	31.03.2021	31.03.2021
Rs.'000	Rs.'000		Rs.'000	Rs.'000		Rs.'000	Rs.'000
1,393,045	1,045,968	-	-	-	50,106,201	987,045	1,045,968
2,574,364	3,016,278	27,814,967	610,891	627,600	129,597,188	2,512,960	2,604,644
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,372,300	4,795,503	-	-	-	153,654,716	4,000,000	4,293,143
4,212,281	4,353,858	-	-	-	172,899,622	3,988,617	4,113,645
-	-	-	-	-	-	-	-
1,500,000	1,557,766	-	-	-	62,360,543	1,500,000	1,557,766
14,051,990	14,769,373		610,891	627,600		12,988,622	13,615,166

Notes to the Financial Statements

28 SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS

Accounting Policy

See accounting policies in Note 4.3.

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

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At amortised cost	5,201,821	4,378,520	5,201,821	4,378,520
	5,201,821	4,378,520	5,201,821	4,378,520

Above investments have maturities within one year.

28.2 Credit and Market risk

Information about the Group's credit and market risks for financial assets are included in Note 7.3 and 7.5 to the financial statements.

29 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

Accounting Policy

See accounting policies in Note 4.3 and 17.

As per SLFRS 9 – Financial Investments are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest income" while the losses arising from impairment are recognised in "impairment charges for loans and other losses" in the Income Statement.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deposits with banks at amortised cost	16,728,836	831,198	15,625,073	827,085
Deposits with financial institutions at amortised cost	36,928	11,018	-	-
Investment in treasury bills at amortised cost	1,047,041	-	1,047,041	-
Debentures at amortised cost	3,094,126	1,146,611	2,856,871	999,265
Securitised and commercial papers at amortised cost	1,443,584	2,520,111	1,443,584	2,435,347
	22,350,515	4,508,938	20,972,569	4,261,697
Expected credit loss allowance (Note 29.1)	(40,179)	(35,144)	(39,228)	(34,847)
	22,310,336	4,473,794	20,933,341	4,226,850

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
29.1 Movement in expected credit loss allowance				
Balance at the beginning of the year	35,144	16,850	34,847	16,006
Charge / (write back) to income statement during the year	5,035	18,294	4,381	18,841
Balance at the end of the year	40,179	35,144	39,228	34,847
Receivable within one year	19,256,389	3,411,135	18,115,698	3,163,895
Receivable after one year	3,094,126	1,097,803	2,856,871	1,097,802
	22,350,515	4,508,938	20,972,569	4,261,697

30 FINANCIAL ASSETS AT AMORTISED COST- LOANS AND RECEIVABLES FROM CUSTOMERS

Accounting Policy

See accounting policies in Notes 4.3 and 17.

Loans to and receivables from customers include loans and advances of the Group.

Principal amount of loans and advances are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the loans are written-off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any reduction for impairment or uncollectibility.

Loans and receivables from other customers are normally written off, either partially or in full, when there is no realistic prospect of recovery and all possible steps have been executed in recovering dues. Where loans are secured, this is generally after receipt of any proceeds from the realisation of the security. If the write-off is later recovered, the recovery is credited to other income.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Term loans	4,742,538	3,303,046	4,742,538	3,309,060
Loans against fixed deposits	922,333	971,875	932,978	982,424
Housing and real estate receivables	4,696	15,359	4,696	6,275
Loans to employees	85,112	83,229	77,636	83,229
	5,754,679	4,373,509	5,757,848	4,380,988
Impairment for individually significant loans (Note 30.1 (a))	(555,114)	(398,932)	(555,114)	(398,932)
Impairment for individually not significant loans (Note 30.1 (b))	(472,520)	(564,823)	(472,520)	(564,823)
Other credit losses (Note 30.2)	(2,376)	(3,780)	(2,376)	(3,780)
	4,724,669	3,405,974	4,727,838	3,413,453
Receivable within one year	3,744,318	2,879,419	3,741,027	2,881,749
Receivable after one year	2,010,361	1,494,090	2,016,821	1,499,239
	5,754,679	4,373,509	5,757,848	4,380,988

Notes to the Financial Statements

		Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
30.1	Movement in impairment for individually significant loans				
(a)					
	Balance at the beginning of the year	398,932	368,524	398,932	368,524
	Charge to the income statement during the year	166,400	175,556	166,400	175,556
	Write off of impaired loans	(10,218)	(145,148)	(10,218)	(145,148)
	Balance at the end of the year	555,114	398,932	555,114	398,932
(b)	Movement in impairment for individually not significant loans				
	Balance at the beginning of the year	564,823	856,183	564,823	856,183
	Charge/(write back) to the income statement during the year	(71,890)	(67,047)	(71,890)	(67,047)
	Write off of impaired loans	(20,413)	(224,313)	(20,413)	(224,313)
	Balance at the end of the year	472,520	564,823	472,520	564,823
	Total impairment provision	1,027,634	963,755	1,027,634	963,755
30.2	Other credit losses				
	Balance at the beginning of the year	3,780	3,645	3,780	3,645
	Charge / (write back) to the income statement during the year	(1,404)	135	(1,404)	135
	Balance at the end of the year	2,376	3,780	2,376	3,780

Refer Note 7.3.6 for the movement in gross loans and receivables during the year allocated to each stage.

31 FINANCIAL ASSETS AT AMORTISED COST - NET INVESTMENT IN LEASES AND HIRE PURCHASE

See accounting policies in Notes 4.3 and 17.

Net investments in leases and hire purchases include lease and hire purchase receivables of the Group.

When the Group is the lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to the ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lease receivables (Note 31.1)	58,839,264	66,433,667	58,839,264	66,433,667
Hire purchase receivables (Note 31.2)	16,493	28,346	16,493	28,346
	58,855,757	66,462,013	58,855,757	66,462,013
Impairment for individually significant loans Note 31.3(a)	(166,478)	(177,076)	(166,478)	(177,076)
Impairment for individually not significant loans Note 31.3(b)	(4,787,690)	(5,176,376)	(4,787,690)	(5,176,376)
	53,901,589	61,108,561	53,901,589	61,108,561
31.1 Lease receivables				
Gross rental receivables	72,923,138	82,208,038	72,923,138	82,208,038
Unearned interest income	(17,572,515)	(20,570,090)	(17,572,515)	(20,570,090)
	55,350,623	61,637,948	55,350,623	61,637,948
Amounts receivable from lessees	3,991,855	5,570,342	3,991,855	5,570,342
Rentals received in advance	(503,214)	(774,623)	(503,214)	(774,623)
	58,839,264	66,433,667	58,839,264	66,433,667
31.2 Hire purchase receivables				
Gross rental receivable	1,630	3,888	1,630	3,888
Unearned interest income	(75)	(495)	(75)	(495)
	1,555	3,393	1,555	3,393
Amounts receivable from hirers	14,938	24,953	14,938	24,953
	16,493	28,346	16,493	28,346

Notes to the Financial Statements

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rentals receivable on lease and hire purchase				
Not later than one year				
Gross rentals receivables	31,237,209	37,070,073	31,237,209	37,070,073
Unearned interest income	(8,408,455)	(10,209,974)	(8,408,455)	(10,209,974)
Rentals received in advance	(47,693)	(89,374)	(47,693)	(89,374)
	22,781,061	26,770,725	22,781,061	26,770,725
Later than one year and not later than five years				
Gross rentals receivables	45,376,125	50,316,631	45,376,125	50,316,631
Unearned interest income	(9,136,678)	(10,307,536)	(9,136,678)	(10,307,536)
Rentals received in advance	(384,418)	(586,532)	(384,418)	(586,532)
	35,855,029	39,422,563	35,855,029	39,422,563
Later than five years				
Gross rentals receivables	318,227	420,516	318,227	420,516
Unearned interest income	(27,457)	(53,075)	(27,457)	(53,075)
Rentals received in advance	(71,103)	(98,716)	(71,103)	(98,716)
	219,667	268,725	219,667	268,725
Total receivables on leases and hire purchase	58,855,757	66,462,013	58,855,757	66,462,013
Maturity analysis of lease and hire purchase receivables on undiscounted basis				
Not later than one year	31,237,210	37,070,073	31,237,210	37,070,073
More than one year not later than two years	20,374,277	24,008,702	20,374,277	24,008,702
More than two years not later than three years	13,540,015	15,679,849	13,540,015	15,679,849
More than three years not later than four years	7,798,006	7,920,812	7,798,006	7,920,812
More than four years not later than five years	3,663,827	2,707,268	3,663,827	2,707,268
More than five years	318,227	420,516	318,227	420,516
Total	76,931,562	87,807,221	76,931,562	87,807,221
31.3 Movement in impairment for individually significant leases				
(a)				
Balance at the beginning of the year	177,076	181,394	177,076	181,394
Charge/ (write back) to the income statement during the year	2,203	32,672	2,203	32,672
Write off of impaired loans	(12,801)	(36,990)	(12,801)	(36,990)
	166,478	177,076	166,478	177,076
(b) Movement in impairment for individually not significant leases				
Balance at the beginning of the year	5,176,376	4,868,617	5,176,376	4,868,617
Charge / (write back) to the income statement during the year	129,354	2,610,150	129,354	2,610,150
Write off of impaired loans	(518,040)	(2,302,391)	(518,040)	(2,302,391)
	4,787,690	5,176,376	4,787,690	5,176,376
Total impairment provision	4,954,168	5,353,452	4,954,168	5,353,452

Refer note 7.3.6 for the movement in gross lease during the year allocated to each stage.

32 TRADE RECEIVABLES

Accounting Policy

See accounting policies in Notes 4.3 and 17.

	Group	
	31.03.2022	31.03.2021
	Rs.'000	Rs.'000
Trade receivables	1,637,209	1,116,375
Expected credit loss allowance (Note 32.1)	(47,217)	(38,659)
	1,589,992	1,077,716

	Group	
	31.03.2022	31.03.2021
	Rs.'000	Rs.'000
32.1 Movement in expected credit loss allowance		
Balance at the beginning of the year	38,659	25,446
Charge / (write back) to income statement during the year	13,250	14,904
Write off during the period	(4,692)	(1,691)
Balance at the end of the year	47,217	38,659

Trade receivables have maturities within one year.

33 INVESTMENTS IN SUBSIDIARIES

Accounting policy

See accounting policies in Note 4.1.

Recognition and measurement

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commenced until the date on which control ceases.

Investments in subsidiaries are recognized at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

Notes to the Financial Statements

33 INVESTMENTS IN SUBSIDIARIES CONTD.

Principal business activities

Principal place of business

Quoted investments

Central Industries PLC	Manufacture and distribution of PVC pipes and fittings	Sri Lanka
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Unquoted investments

Central Developments Ltd.	Investment company	Sri Lanka
Dehigama Hotels Company Ltd.	Renting of commercial property	Sri Lanka
Expanded Plastic Products (Pvt) Ltd.	Investment company	Sri Lanka
Central Mineral Industries (Pvt) Ltd.	Manufacture of mineral products	Sri Lanka
Central Transport & Travels Ltd.	Hiring of vehicles	Sri Lanka
Central Construction & Development (Pvt) Ltd.	Investment company	Sri Lanka
CF Growth Fund Ltd.	Investment company	Sri Lanka
The Kandy Private Hospitals Ltd.	Provision of healthcare services	Sri Lanka
CF Insurance Brokers (Pvt) Ltd.	Insurance broking	Sri Lanka
Central Homes (Pvt) Ltd.	Property development and sale of real estate	Sri Lanka
Mark Marine Services (Pvt) Ltd. (Divested in September 2021)	Hydro power generation	Sri Lanka
Hedges Court Residencies (Pvt) Ltd.	Construction and sale of apartments	Sri Lanka

Provision for impairment in investments in subsidiaries (Note 33.1)

Net investment in subsidiary companies

* Central Industries PLC, a quoted public company listed on the Colombo Stock Exchange, is consolidated as a subsidiary company with a group equity investment of 49.98% taking into account the fact that the group possesses power over the investee and is able to decide the variable return of the investee.

** Fair value of unquoted investments is based on net asset value per share basis based on audited financial statements of respective companies.

*** There are no significant restrictions on the ability of the subsidiaries to transfer funds to the other entities within the group in the form of cash dividends or repayment of loans and advances. All subsidiaries of the group as at the reporting date have been incorporated in Sri Lanka.

% Holding		No. of shares		Cost		Market value/ Fair value	
Group		Company		Company		Company	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
						Rs.'000	Rs.'000
49.98%	49.98%	44.06%	44.06%	9,599,828	9,118,835	115,035	60,323
99.99%	99.99%	39.79%	39.79%	5,289,972	5,289,972	52,900	52,900
79.69%	79.69%	79.69%	79.69%	659,854	659,854	7,443	7,443
99.99%	99.99%	40.00%	40.00%	2,559,967	2,559,967	25,600	25,600
99.99%	99.99%	39.99%	39.99%	139,979	139,979	1,400	1,400
99.99%	99.99%	39.64%	39.64%	1,169,000	1,169,000	11,690	11,690
99.90%	99.90%	0.10%	0.10%	5	5	-	-
99.99%	99.99%	39.87%	39.87%	6,500,000	6,500,000	65,000	65,000
66.74%	66.58%	37.00%	37.00%	203,700	203,700	2,363	2,363
99.99%	99.99%	40.00%	40.00%	4,949,997	4,949,997	49,500	49,500
99.99%	99.99%	38.48%	38.48%	1,315,000	1,315,000	13,151	13,151
-	56.79%	-	39.09%	-	1,712,237	-	27,579
100.00%	100.00%	40.00%	40.00%	2,000,000	2,000,000	20,000	20,000
						364,082	336,949
						(30,468)	(30,468)
						333,614	306,481

Notes to the Financial Statements

		Company	
		31.03.2022	31.03.2021
		Rs.'000	Rs.'000
33.1	Provision for impairment in investments in subsidiaries		
	Hedges Court Residencies (Pvt) Ltd.	20,000	20,000
	Expanded Plastic Products (Pvt) Ltd.	7,000	7,000
	Central Homes (Pvt) Ltd.	3,468	3,468
		30,468	30,468

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2022. Based on the assessment, except for the above companies, no impairment provision was required to be made in the financial statements as at the reporting date.

The Board of Directors of the Company carried out an internal assessment of the potential implications of COVID 19 outbreak on its subsidiaries and are of the view that there is no additional provision for impairment needed against its investments in subsidiaries as at reporting date.

33.2 Disposal of a Subsidiary

In September 2021, the Group sold its power generation segment. Management committed to a plan to sell 56.79% investment in Mark Marine Services (Pvt) Ltd. held through the parent company together with the fully owned subsidiary, CF Insurance Brokers (Pvt) Ltd. for a consideration of Rs.270.77 Million and entered into a share sales and purchase agreement with Hatton Plantations PLC in June 2021. Subsequent to entering into the share sales and purchase agreement and receipt of cash consideration, divestment was completed on 30th September 2021.

	Central Finance Company PLC	CF Insurance Brokers (Pvt) Ltd.
Number of shares disposed of	1,712,237	775,691
Holdings (%)	39.09	17.70
Sale proceeds (Rs.000)	186,353	84,423
Cost of investment (Rs.000)	(27,579)	(13,187)
	158,774	71,236

	Group
Number of shares disposed of	2,487,928
Holdings (%)	56.79
Sale proceeds (Rs.000)	270,776
Equity of Mark Marine Services (Pvt)Ltd. excluding non -controlling interest as at 30.09.2021	(89,452)
Profit on disposal (Rs.000)	181,324

The company made announcements to the Colombo Stock Exchange with regard to the above on 21.06.2021 and 30.09.2021.

As the post-tax profit of the power generation segment is insignificant to the Group, the disposal has not been identified and classified as a discontinued operation separately in the consolidated income statement.

	31.03.2022	31.03.2021
	Rs.'000	Rs.'000
Revenue	53,700	91,643
Expenses	(13,617)	(23,904)
Results from operating activities	40,083	67,739
Tax	(6,150)	(9,614)
Results from operating activities, net of tax	33,933	58,125
Gain on sale of discontinued operation	181,324	-
Income tax on gain on sale of discontinued operation (Capital Gain Tax)	(3,226)	-
Profit (loss) from discontinued operations, net of tax	212,031	58,125
Basic and diluted earnings per share - Rs.	0.93	0.26

The profit from the above discontinued operation amounting to Rs. 197.36 Million attributable entirely to the equity holders of the Company. (2021 - 33 Million)

Cash Flows from/used in discontinued operation	2021/22	2020/21
	Rs.'000	Rs.'000
Net Cash used in operating activities	110,555	(25,952)
Net Cash from investing activities	270,285	734
Net Cash from financing activities	(6,000)	5,922
Net Cash Flows for the year	374,840	19,296

Effect on disposal on the financial position of the Group	2021/22
	Rs.'000
Right of Use Asset	63
Trade Debtors & Other Receivables	64,204
Cash and Cash Equivalents	105,457
Retirement Benefit Liabilities	(6,894)
Lease Liability on Right of Use Asset	(68)
Current tax Liability	(4,734)
Trade & Other Payable	(510)
Net assets value of the Company	157,514
Impact to Group financial position	157,514
Consideration received in cash	270,776
Cash & Cash equivalents disposed of	(105,457)
Net Cash Inflows	165,319

33.3 Acquisition of non-controlling interest of a subsidiary

In November 2021, Central Transport & Travels Ltd., a Subsidiary Company of the Group acquired an additional 0.16% of Kandy Private Hospitals Ltd. increasing Group ownership from 66.58% to 66.74%. The carrying amount of the Non-Controlling Interest acquired amounts to Rs. 0.97 Million for a consideration of Rs. 0.9 Million.

Notes to the Financial Statements

33.4 Non-controlling interest (NCI) in subsidiaries

Subsidiary	% of ownership and voting rights held by NCI		Share of income of NCI		Share of other comprehensive income of NCI	
	As at		For the year ended		For the year ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Central Industries PLC	50.02%	50.02%	251,148	201,638	3,703	21,557
Mark Marine Services (Pvt) Ltd.	-	43.21%	14,662	25,116	-	33
Dehigama Hotels Company Ltd.	20.31%	20.31%	6,851	6,469	-	4,641
Kandy Private Hospitals Ltd.	33.26%	33.42%	691	2,613	220	19,723
			273,352	235,836	3,923	45,954

33.5 Summarised financial information of subsidiaries

For the year ended	Revenue		Profit/(loss) after tax		Other comprehensive income	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Central Industries PLC	6,731,883	4,122,942	502,094	403,114	7,405	43,096
Central Developments Ltd.	12,283	33,072	8,459	28,534	33	(54)
Dehigama Hotels Company Ltd.	43,186	39,260	33,734	54,705	-	-
Expanded Plastic Products (Pvt) Ltd.	1,006	1,270	679	844	(10)	485
Central Mineral Industries (Pvt) Ltd.	16,231	16,784	150	(975)	(20)	11,663
Central Transport & Travels Ltd.	901	1,071	7,490	6,842	24	47
Central Construction & Development (Pvt) Ltd.	284	34	-	(1)	-	-
CF Growth Fund Ltd.	62,712	41,123	57,652	40,461	(158,504)	(80,800)
Kandy Private Hospitals Ltd.	102,196	96,562	1,643	7,450	659	59,598
CF Insurance Brokers (Pvt) Ltd.	257,554	300,624	264,499	217,830	(147,843)	(34,095)
Central Homes (Pvt) Ltd.	3,189	4,111	2,312	3,030	-	-
*Mark Marine Services (Pvt) Ltd.	53,700	91,643	33,933	58,125	-	77
Hedges Court Residencies (Pvt) Ltd.	131	254	(1,868)	(2,239)	-	-

* Investment in Mark Marine Services (Pvt) Ltd. divested on 30th September 2021 (Note. 33.2)

As at	Current assets		Non-current assets		Total assets	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Central Industries PLC	4,238,722	2,685,397	1,025,672	922,433	5,264,394	3,607,830
Central Developments Ltd.	185,463	177,001	158,738	158,695	344,201	335,696
Dehigama Hotels Company Ltd.	64,336	59,096	699,000	699,000	763,336	758,096
Expanded Plastic Products (Pvt) Ltd.	16,241	15,582	63,765	63,734	80,006	79,316
Central Mineral Industries (Pvt) Ltd.	5,139	3,862	123,314	123,744	128,453	127,606
Central Transport & Travels Ltd.	118,201	111,185	6,120	5,193	124,321	116,378
Central Construction & Development (Pvt) Ltd.	-	-	-	-	-	-
CF Growth Fund Ltd.	148,258	120,475	786,444	911,286	934,702	1,031,761
Kandy Private Hospitals Ltd.	16,490	17,470	626,133	625,941	642,623	643,411
CF Insurance Brokers (Pvt) Ltd.	224,594	422,097	2,289,066	2,005,365	2,513,660	2,427,462
Central Homes (Pvt) Ltd.	49,518	47,166	-	-	49,518	47,166
Mark Marine Services (Pvt) Ltd.	-	142,695	-	1,016	-	143,711
Hedges Court Residencies (Pvt) Ltd.	36,695	37,297	-	-	36,695	37,297

Share of total comprehensive income of NCI		Adjustment through equity statement		Non-controlling interest(NCI)		Dividends paid to /repurchase of shares from NCI	
For the year ended		For the year ended		As at		For the year ended	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
254,851	223,195	262	118	1,325,787	1,091,433	20,758	19,789
14,662	25,149	(68,062)	-	-	53,400	-	-
6,851	11,110	-	-	121,429	121,054	6,476	5,888
911	22,336	(972)	11	187,485	187,546	-	-
277,275	281,790	(68,772)	129	1,634,702	1,453,433	27,234	25,677

Total comprehensive income		Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
509,499	446,210	582,677	280,565	(109,251)	(477,733)	(669)	207,683
8,492	28,480	(3,821)	(4,627)	(12,900)	23,324	-	(1)
33,734	54,705	33,201	29,389	(3,314)	301	(31,130)	(28,251)
669	1,329	(288)	(523)	15	715	-	-
130	10,688	(766)	3,847	512	350	(2,947)	1,476
7,514	6,889	(1,675)	(1,612)	1,581	1,701	-	-
-	(1)	-	-	-	-	-	-
(100,852)	(40,339)	16,474	1,574	(17,669)	106	-	-
2,302	67,048	5,587	(873)	(5,376)	4,916	(1,175)	91
116,656	183,735	82,771	27,212	(245,938)	(154,483)	1,746	(29,832)
2,312	3,030	(832)	(1,124)	1,104	(876)	(5)	(6)
33,933	58,202	110,555	(25,952)	-	734	(6,000)	5,922
(1,868)	(2,239)	(736)	(1,239)	736	1,299	-	-

Current liabilities		Non current liabilities		Total liabilities		Equity	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2,417,512	1,246,429	196,374	179,411	2,613,886	1,425,840	2,650,508	2,181,990
11,532	11,530	172	162	11,704	11,692	332,497	324,004
27,685	24,530	137,760	137,528	165,445	162,058	597,891	596,038
102	81	-	-	102	81	79,904	79,235
7,016	6,248	23,012	23,062	30,028	29,310	98,425	98,296
1,152	726	51	49	1,203	775	123,118	115,603
51	51	-	-	51	51	(51)	(51)
4,138	116	1	231	4,139	347	930,563	1,031,414
12,930	14,245	65,995	67,770	78,925	82,015	563,698	561,396
222,844	254,598	72,444	71,147	295,288	325,745	2,218,372	2,101,717
284	245	-	-	284	245	49,234	46,921
-	13,352	-	6,777	-	20,129	-	123,582
197,900	196,634	-	-	197,900	196,634	(161,205)	(159,337)

Notes to the Financial Statements

34 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

Accounting policy

See accounting policies in Note 4.1.

Equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

Investor	Investee	Principal place of business	Principal business activities
Central Finance Company PLC	Quoted investments		
	Tea Smallholder Factories PLC	Sri Lanka	Processing green leaf purchased from tea small holders and the sale of processed black tea
	Nations Trust Bank PLC (voting)	Sri Lanka	Licensed commercial bank
	Nations Trust Bank PLC (convertible non-voting)		
Central Finance Company PLC	Unquoted investments		
	Capital Suisse Asia Ltd.	Sri Lanka	Investment company
Company investment in equity accounted investees			
CF Growth Fund Ltd.	Quoted investments		
	Tea Smallholder Factories PLC		
	Nations Trust Bank PLC (voting)		
	Nations Trust Bank PLC (convertible non-voting)		
	Unquoted investments		
	Capital Suisse Asia Ltd.		
CF Insurance Brokers (Pvt) Ltd.	Quoted investments		
	Nations Trust Bank PLC (voting)		
	Nations Trust Bank PLC (convertible non-voting)		
Group's investment in equity accounted investees			
Adjustment on sale of shares within the group			
Group's investment in equity accounted investees			
Group's share of equity accounted investees retained assets			
Tea Smallholder Factories PLC			
Nations Trust Bank PLC			
Capital Suisse Asia Ltd.			
Group's investment in associates (equity basis)			

Investments in subsidiaries and associates are accounted for at cost less accumulated impairment losses in the separate financial statements. Provision for impairment is made where the decline in value is other than temporary and such impairment is made for investments individually.

Transactions eliminated on consolidation

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

% Holding		No. of shares		Cost		Market value/ Fair value	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
				Rs.'000	Rs.'000	Rs.'000	Rs.'000
22.85%	22.85%	6,854,814	6,854,814	99,337	99,337	185,765	281,047
9.84%	9.84%	25,630,053	24,124,933	758,041	673,603	1,155,915	1,334,109
20.98%	20.98%	8,611,027	8,121,765	680,642	652,216	517,351	489,742
-	16.29%	-	2,949,003	-	29,490	-	32,126
				1,538,020	1,454,646	1,859,031	2,137,024
6.45%	6.45%	1,933,678	1,933,678	30,361	30,361	52,403	79,281
4.92%	4.92%	12,822,902	12,069,880	359,181	316,937	578,313	667,464
5.43%	5.43%	2,230,164	2,103,451	175,689	168,327	133,988	126,838
-	8.29%	-	1,500,000	-	15,000	-	16,341
4.96%	4.96%	12,910,418	12,152,256	475,100	432,567	582,260	672,020
5.47%	5.47%	2,245,385	2,117,807	176,889	169,476	134,903	127,704
				2,755,240	2,587,314	3,340,898	3,826,672
				(224,844)	(224,844)	-	-
				2,530,396	2,362,470		
				343,240	323,330		
				6,347,701	5,587,132		
				-	3,978		
				9,221,337	8,276,910		

Notes to the Financial Statements

	Year ended		Year ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Group		Company	
	Rs.000	Rs.000	Rs.000	Rs.000
Investment in associates (at cost) at the beginning of the year	2,362,470	2,362,470	1,454,646	1,454,646
Investment made during the year (scrip dividend)	212,416	-	112,864	-
Effect due to liquidation of Capital Suisse Asia Ltd.	(44,490)	-	(29,490)	-
Investment in associates (at cost) at the end of the year	2,530,396	2,362,470	1,538,020	1,454,646

No impairment provision has been made for decline in market value of non-voting shares of Nations Trust Bank PLC at the company level as the market value of total investment in voting and non-voting shares is higher than the cost of the investment

	Nations Trust Bank PLC	
	31.03.2022	31.03.2021
	Rs.'000	Rs.'000
Group's investment in associates at cost at the beginning of the year	2,188,282	2,188,282
Investment made during the year (scrip dividends)	212,416	-
Liquidation of an associate company during the year	-	-
Investment in associates (at cost) at the end of the year	2,400,698	2,188,282
Group's share of equity accounted investees retained earnings at beginning of the year	5,587,132	4,752,497
For the year ended		
Share of profit / (loss) of equity accounted investees (net of tax)	1,383,645	1,046,560
Effect due to liquidation	-	-
Share of other comprehensive income (net of tax)	(410,661)	(90,545)
Dividends received	(212,416)	(121,380)
	8,748,398	7,775,414

Fair value of unquoted investments is based on net asset value per share basis.

34.1 Capital Suisse Asia Ltd. was liquidated in April 2021 and the details related to the liquidation are as follows:

	Central Finance Company PLC	CF Insurance Brokers (Pvt) Ltd.	Group
Number of shares held	2,949,003	1,500,000	4,449,003
Holdings (%)	16.29	8.29	24.58
Proceeds received as at 31.03.2022 (Rs.000)	30,828	15,681	46,509
Proceeds receivable as at 31.03.2022 (Rs.000)	486	247	733
Cost of investment (Rs.000)	29,490	15,000	44,490
Share of associate companies retained assets (Rs.000)	-	-	3,978
Profit/(loss) on liquidation (Rs.000)	1,824	928	(1,226)



Tea Smallholders Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
129,698	129,698	44,490	44,490	2,362,470	2,362,470
-	-	-	-	212,416	-
-	-	(44,490)	-	(44,490)	-
129,698	129,698	-	44,490	2,530,396	2,362,470
323,330	314,878	3,978	891	5,914,440	5,068,266
4,486	19,497	-	3,087	1,388,131	1,069,144
-	-	(3,978)	-	(3,978)	-
24,212	2,138	-	-	(386,449)	(88,407)
(8,787)	(13,183)	-	-	(221,203)	(134,563)
472,939	453,028	-	48,468	9,221,337	8,276,910

34.2 The group held 20% ownership interest in Nations Trust Bank PLC (NTB) until end February 2018 and with the issuance of convertible non-voting shares, the group's ownership interest increased to 21.10% from March 2018. The ownership interest further increased to 21.38% from 01st January 2020 with the purchase of convertible non-voting shares from the secondary market. The group holds 19.72% voting shares in NTB as at 31.03.2022. Central Bank of Sri Lanka has issued guidelines restricting the amount of voting rights that can be held by a single party/group in NTB and, accordingly, the group's voting rights in NTB are restricted to 10% with effect from 31.03.2018. CF group as a promoter shareholder continue to hold board positions at NTB, since the incorporation of the bank in 1999. In addition to the ability to participate in policymaking decisions, the CF nominee –directors serve on the Board Supervisory Committee, Board Nomination Committee, Board Credit Committee and Board Information Technology Advisory Committee of NTB. The group's share of profit or loss of NTB and changes in the equity have been accounted for at 20% up to end February 2018 and 21.10% from March 2018 up to 31.12.2019 and at 21.38% from 01st January 2020, having taken into consideration the combination of our economic interest of 21.38% in the entity, continuing support towards the bank's capital calls as a promoter shareholder and our ability to exercise significant influence on the operating and financial policies of NTB as evidenced by the representation and participation in all policy and decision making committees of the Bank at the apex level. Having considered the above, the company has concluded it has significant influence over NTB irrespective of the restriction on the voting rights.

Notes to the Financial Statements

34.3 Summarised financial information of equity accounted investees

As at	Nations Trust Bank PLC	
	31.03.2022	31.03.2021
	Rs.'000	Rs.'000
Current assets	305,210,186	241,298,443
Non-current assets	130,939,728	120,757,764
Total assets	436,149,914	362,056,207
Current liabilities	337,112,124	288,279,125
Non-current liabilities	58,653,165	37,923,359
Total liabilities	395,765,290	326,202,484
Equity	40,384,625	35,853,723
For the year ended		
Revenue	40,806,330	39,524,784
Profit after tax from continuing operations	6,471,679	4,895,043
Other comprehensive income	(1,940,592)	(423,503)
Total comprehensive income	4,531,087	4,471,540
Total comprehensive income attributable to equity holders of the company	4,531,087	4,471,540
Receipt of dividends	31.03.2022	31.03.2021
Year ended	Rs.'000	Rs.'000
Company	112,864	64,493
Group	212,416	121,380

There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

However, CBSL has issued restrictions on discretionary payments of Licensed Commercial Banks through Banking Act Direction No 2 of 2022 on 06th May 2022 which is applicable to associate Company, Nations Trust Bank PLC. Accordingly, every Licensed Commercial Bank shall defer the payment of cash dividends until the financial statements/interim financial statements for the year 2022 are finalized and audited by its External Auditor. It further requires Licensed Commercial Banks to give due considerations to the regulatory capital requirements, expected assets growth, business expansion and the potential impact of the COVID -19 pandemic and prevailing economic conditions when declining on payments of cash dividends and profit repatriations.

The Company has neither contingent liabilities nor capital and other commitments towards its associate company.

35 INVENTORIES AND OTHER STOCKS

Accounting policy

Inventories are valued at the lower of cost and net realisable value under the weighted average cost method. The cost of raw materials is determined at purchase price including all expenses incurred in sourcing. The cost of work-in-progress is the value of raw material transferred to production. The cost of finished goods includes raw material cost and all direct and indirect expenses incurred in production. Vehicles, spare parts and other stocks are valued at cost or net realisable value whichever is lower. Net realisable value is the estimated selling price less estimated cost of completion and the estimated cost necessary to make the sale. Inventories are regularly assessed for impairment and provisions are made accordingly.

Tea Smallholders Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
545,503	517,021	-	199,022	305,755,689	242,014,486
1,338,106	1,254,293	-	-	132,277,834	122,012,057
1,883,609	1,771,314	-	199,022	438,033,523	364,026,543
218,809	178,526	-	1,843	337,330,933	288,459,494
149,129	145,064	-	-	58,802,294	38,068,423
367,938	323,590	-	1,843	396,133,228	326,527,917
1,515,671	1,447,724	-	197,179	41,900,296	37,498,626
		-		-	
2,018,797	2,346,224	-	16,798	42,825,127	41,887,806
15,311	66,544	-	12,560	6,486,990	4,974,147
82,636	7,295	-	-	(1,857,956)	(416,208)
97,947	73,839	-	12,560	4,629,034	4,557,939
97,947	73,839	-	12,560	4,629,034	4,557,939
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
6,854	10,282	-	-	119,717	74,775
8,787	13,183	-	-	221,203	134,563

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.000	Rs.000	Rs.000	Rs.000
Vehicles	44,618	57,046	44,618	57,046
Raw materials	737,182	562,772	-	-
Work - in - progress	30,041	40,634	-	-
Finished goods	695,835	360,271	-	-
Machinery & vehicle spare parts	46,542	35,499	28,247	18,515
Others	22,599	17,062	14,026	9,856
Goods-in-transit	115,965	376,190	-	-
	1,692,782	1,449,474	86,891	85,417
Specific provision for stock obsolescence	(66,460)	(69,258)	(32,455)	(36,693)
Net carrying amount	1,626,322	1,380,216	54,436	48,724

35.1 Provision for stock obsolescence

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.000	Rs.000	Rs.000	Rs.000
Balance at the beginning of the year	69,258	66,429	36,693	43,307
Provision made during the year	1,440	9,443	-	-
Released to income statement during the year	(4,238)	(6,614)	(4,238)	(6,614)
Balance at the end of the year	66,460	69,258	32,455	36,693

Notes to the Financial Statements

Amount recognised in the Income Statement	Group		Company	
	2022	2021	2022	2021
	Rs.000	Rs.000	Rs.000	Rs.000
Inventories recognised as an expense during the year	4,784,309	3,182,644	42,272	122,255
Impairment provision /(write back)	(2,798)	2,829	(4,238)	(6,614)
Write down of inventories to net realisable value	5,289	6,835	900	5,625

Inventories pledged as security for banking facilities as at 31.03.2022 amounted to Rs.7.50 Million (Rs.7.50 Million as at 31.03.2021).

Facilities available from banks against a negative pledge over the inventories of subsidiary company, Central Industries PLC

Bank		31.03.2022	31.03.2021
		Rs.000	Rs.000
Nations Trust Bank PLC	Short term loan, overdraft, import loan and guarantee facilities	500,000	250,000
Hatton National Bank PLC	Short term loan, overdraft, import loan and guarantee facilities	550,000	200,000
Commercial Bank of Ceylon PLC	Short term loan, overdraft, import loan and guarantee facilities	1,664,000	287,000
Sampath Bank PLC	Overdraft, import loan and guarantee facilities	500,000	65,000
Seylan Bank PLC	Import loan and guarantee facilities	1,165,000	215,000
People's Bank	Import loan and guarantee facilities	420,000	-
Pan Asia Banking Corporation PLC	Import loan and guarantee facilities	270,000	-
		5,069,000	1,017,000

Inventories carried at net realisable value as at 31st March 2022 amounted to Rs. 12.16 Million for the company and Rs. 47.35 Million for the group (as at 31.03.2021 Rs.20.35 Million for the company and Rs.48.78 Million for the group).

36 INVESTMENTS PROPERTIES

Accounting policy

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.

Investment properties are initially measured at cost and the fair value model is used for subsequent measurement in accordance with Sri Lanka Accounting Standard (LKAS 40) –Investment Property. The cost of the investment property comprises of its purchase price and any directly attributable expenditure. Fair valuations of the properties are carried out by independent valuer/ valuers having appropriate professional qualifications.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When an item of property, plant and equipment is transferred to investment property following a change in its use, the difference between the carrying amount of the item immediately prior to the date of transfer and its fair value is recognised directly in equity under revaluation reserve, if it is a gain. If it is a decline in value, the decrease is charged against revaluation reserve to the extent that it was previously credited and any decrease beyond such value is charged to the income statement.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the lease.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS-

Classification of investment properties

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

Fair value measurement of investment properties

Investment properties's of the group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of the investment properties, management uses observable market data and the services of a qualified external valuer.

Market based valuation

Market based valuation method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size,nature,location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

	Group/ Company	
	31.03.2022	31.03.2021
	Rs.000	Rs.000
Balance at the beginning of the year	303,800	303,800
Disposal during the year (Note 36.5)	(225,000)	-
Balance at the end of the year	78,800	303,800

Property situated at 167/121, Hekiththa Road, Wattala was disposed during the current year for a consideration of Rs. 215,625 (000's) & loss on sale amounted to Rs.15,844 (000's) net of directly attributable transaction cost.

Information of investment properties

Location	Method of valuation	Range of estimates for significant unobservable inputs/ Price per perch for land Rs:'000	Extent Perches	Group/ Company	
				Fair value	
				31.03.2022	31.03.2021
				Rs:'000	Rs:'000
Sarasavigama Road, Hindagala	Market based valuation	52.37	1,050.40	55,000	55,000
167/121, Hekiththa Road,Wattala	Market based valuation	600.00	375.00	-	225,000
Mahiyangana Road,Diganawatte	Market based valuation	50.49	356.50	18,000	18,000
Mahaberiyatenna,Digana	Market based valuation	75.62	76.70	5,800	5,800
				78,800	303,800

Notes to the Financial Statements

36.1 Measurement of fair values

The investment properties are revalued regularly to ensure that the carrying values do not differ materially from the fair values of such properties. The investment properties were revalued by Mr. Anuradha Seneviratne an independent Qualified Valuer on comparison method in March 2022 and it was concluded that there is no material change in the fair value of such properties compared to the carrying values, hence no fair value adjustments were made during the current financial year.

The valuer has considered the potential impact of COVID 19 in his report when arriving at the market rate.

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

The fair value measurement of all of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation techniques used.

36.2 Income from Investment Properties

These investment properties are held for capital appreciation, as such no rent income was received during the current and preceding financial years.

Direct operating expenses (including maintenance) of investment properties amounts to Rs.0.81 Million in 2021/22 financial year, (2020/21 financial year -Rs.0.11 Million).

36.3 There are no restrictions on the realisability of the investment properties.

36.4 There are no contractual obligations to construct or develop investment properties or for repairs, maintenance or enhancements.

36.5 During the year under review, the investment property at 161/121, Hekiththa Road, Wattala was disposed of and the details pertaining to the disposal are as follows:

	Rs.000
Sale proceeds	215,625
Cost of acquisition	59,014
Revaluation gain	165,986
Total carrying value	225,000
Direct transaction cost on disposal	(6,469)
Loss on disposal of the investment property	(15,844)

37 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost. Cost includes expenditure directly attributable to acquisition of the asset and subsequent costs excluding the costs of day-to-day servicing. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost model

The group applies the cost model to all property, plant and equipment except freehold land and freehold buildings and records them at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment charges.

Revaluation model

The group applies the revaluation model for the entire class of freehold land and freehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of revaluation.

When an asset is revalued, any increase in the carrying value is recognised in other comprehensive income and accumulated in equity under revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously expensed. A decrease in the carrying value arising on the revaluation is recognised in the income statement and any decrease that offsets a previous surplus on the same asset is recognised in other comprehensive income to the extent of any credit balance available in the revaluation surplus in respect of that asset and any excess is recognised as an expense in the income statement. The difference in depreciation based on the revalued carrying amount and cost is transferred from revaluation reserve to retained earnings through equity statement. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

When group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements and accounted for as per Sri Lanka Accounting Standard (LKAS 16) - Property, Plant and Equipment.

Subsequent costs

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, plant and equipment are recognised in the income statement as incurred.

Capital work in progress

These are expenses of a capital nature directly incurred in the construction of buildings awaiting capitalisation. Capital work in progress will be transferred to the relevant assets once ready for the intended use.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in the income statement in the year in which the asset is derecognised.

Depreciation

Provision for depreciation is calculated using the straight-line method on the cost or other amount substituted for cost of all property, plant and equipment other than freehold land in order to allocate depreciable amounts over the estimated useful lives of such assets. The estimated useful lives of assets are as follows:

Assets category	Years
Freehold buildings	12-40
Furniture & office equipment	10
Motor vehicles and lifts	5
Plant, machinery & other equipment	8
Air conditioners & computer servers	8
Generators	15
Computers	5
Other assets	10

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised

Notes to the Financial Statements

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction, or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset, in accordance with Sri Lanka Accounting Standard 23 - Borrowing Costs.

Operating lease assets

Operating lease assets are classified under property, plant and equipment at cost less accumulated depreciation and impairment losses, if any. Cost of the asset net of residual value is depreciated over the estimated useful life. Residual value is the estimated net amount that the company would expect from disposal of the asset at the end of its estimated useful life, calculated based on the current market prices of similar classes of vehicles, and are subject to annual review. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, 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 there risks specific to the asset. A cash generating unit is the smallest identifiable assets group that generate cash flows that are largely independent from other assets and groups.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Useful lives of property, plant and equipment

The useful lives, residual values and methods of depreciation/amortisation of property, plant and equipment are reviewed at each reporting date. Judgment of the management is exercised in the estimation of these values, rates and methods and therefore they are subject to uncertainty.

Impairment losses on property, plant and equipment

The group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the group makes an estimate of the asset's recoverable amount. This requires the estimation of the value in use of such individual assets. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit, which requires management judgment on expected future cash flows and discount rates to be used in determining the value in use.

Fair value measurement of Property, plant and equipment

Property, plant and equipment's of the group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value, management uses observable market data and the services of a qualified external valuer

37.1 Reconciliation of carrying amount

Group	Land and Buildings	Furniture and office equipment	Motor vehicles	Operating lease assets	Plant, machinery and other equipment	Capital work-in- progress	Total
	Rs.' 000	Rs.' 000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation							
As at 01.04.2020	7,532,913	378,861	1,191,137	4,889,879	2,061,644	2,297	16,056,731
Additions	15,673	21,427	28,033	362,561	121,818	4,317	553,829
Transfers	-	857	74,776	(74,776)	-	(857)	-
Write off's	-	(232)	-	-	(2,777)	-	(3,009)
Disposals	-	(3,241)	(167,648)	(339,686)	(5,139)	-	(515,714)
As at 31.03.2021	7,548,586	397,672	1,126,298	4,837,978	2,175,546	5,757	16,091,837
Additions	12,991	7,037	26,930	471,960	120,606	97,039	736,563
Transfers	6,327	-	112,765	(112,765)	-	(6,327)	-
Write off's	-	(9,997)	-	-	(197)	-	(10,194)
Disposals	-	(2,057)	(62,939)	(169,361)	(8,047)	-	(242,404)
As at 31.03.2022	7,567,904	392,655	1,203,054	5,027,812	2,287,908	96,469	16,575,802
Accumulated depreciation							
As at 01.04.2020	31,806	240,437	671,721	1,174,295	1,332,793	-	3,451,052
Charge for the year	31,749	26,317	89,676	267,085	161,016	-	575,843
Transfers	-	-	22,120	(22,120)	-	-	-
Write off	-	(227)	-	-	(2,239)	-	(2,466)
On disposals	-	(2,007)	(117,479)	(116,920)	(4,934)	-	(241,340)
As at 31.03.2021	63,555	264,520	666,038	1,302,340	1,486,636	-	3,783,089
Charge for the year	31,960	26,730	91,052	175,881	157,910	-	483,533
Transfers	-	-	33,322	(33,322)	-	-	-
Write off's	-	(9,997)	-	-	(343)	-	(10,340)
On disposals	-	(1,163)	(47,195)	(59,998)	(5,733)	-	(114,089)
As at 31.03.2022	95,515	280,090	743,217	1,384,901	1,638,470	-	4,142,193
Carrying value							
As at 01.04.2020	7,501,107	138,424	519,416	3,715,584	728,851	2,297	12,605,679
As at 31.03.2021	7,485,031	133,152	460,260	3,535,638	688,910	5,757	12,308,748
As at 31.03.2022	7,472,389	112,565	459,837	3,642,911	649,438	96,469	12,433,609

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Company	Land and Buildings	Furniture and office equipment	Motor vehicles	Operating lease assets	Plant, machinery and other equipment	Capital work-in- progress	Total
	Rs.' 000	Rs.' 000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation							
Cost/valuation							
As at 01.04.2020	5,549,065	351,299	1,163,040	4,889,879	1,160,556	1,440	13,115,279
Additions	15,673	17,735	27,688	362,561	50,196	4,317	478,170
Transfers	-	-	74,776	(74,776)	-	-	-
Disposals	-	(3,139)	(167,592)	(339,686)	(3,872)	-	(514,289)
As at 31.03.2021	5,564,738	365,895	1,097,912	4,837,978	1,206,880	5,757	13,079,160
Additions	12,991	6,248	26,930	471,960	49,138	1,486	568,753
Transfers	-	-	112,765	(112,765)	-	-	-
Disposals	-	(2,052)	(62,570)	(169,361)	(6,314)	-	(240,297)
As at 31.03.2022	5,577,729	370,091	1,175,037	5,027,812	1,249,704	7,243	13,407,616
Accumulated depreciation							
As at 01.04.2020	19,401	220,340	643,717	1,174,295	698,787	-	2,756,540
Charge for the year	19,407	25,055	89,543	267,085	104,515	-	505,605
Transfers	-	-	22,120	(22,120)	-	-	-
On disposals	-	(1,971)	(117,423)	(116,920)	(3,666)	-	(239,980)
As at 31.03.2021	38,808	243,424	637,957	1,302,340	799,636	-	3,022,165
Charge for the year	19,534	25,161	90,983	175,881	103,079	-	414,638
Transfers	-	-	33,322	(33,322)	-	-	-
On disposals	-	(1,162)	(46,826)	(59,998)	(4,159)	-	(112,145)
As at 31.03.2022	58,342	267,423	715,436	1,384,901	898,556	-	3,324,658
Carrying value							
As at 01.04.2020	5,529,664	130,959	519,323	3,715,584	461,769	1,440	10,358,739
As at 31.03.2021	5,525,930	122,471	459,955	3,535,638	407,244	5,757	10,056,995
As at 31.03.2022	5,519,387	102,668	459,601	3,642,911	351,148	7,243	10,082,958

Operating Leases

Property, plant and equipment includes assets given under operating leases on short and long term basis. An analysis of the rentals to be received on such operating leases are as follows:

	Group/ Company	
	31.03.2022	31.03.2021
	Rs.000	Rs.000
Receivable within one year	752,458	854,195
Receivable within 1-5 years	628,034	897,543
	1,380,492	1,751,738
Undiscounted maturity analysis of operating lease assets		
Not later than one year	752,458	854,195
More than one year not later than two years	374,760	517,861
More than two years not later than three years	175,726	231,437
More than three years not later than four years	62,482	121,041
More than four years not later than five years	15,066	27,204
More than five years	1,380,492	1,751,738

Information on the freehold land and buildings of the company and the group as at 31.03.2022

Revaluations

Freehold land and buildings of the group are revalued regularly (once in five years) to ensure that the carrying amounts do not differ materially from the fair values of such properties. The freehold land and buildings of the company and the subsidiaries, Kandy Private Hospitals Ltd., Dehigama Hotels Company Ltd., Central Mineral Industries (Pvt) Ltd. and Central Industries PLC were revalued in March 2019 by Mr. Anuradha Seneviratha, an Independent, Qualified Valuer/Licensed Surveyor resulting in the carrying amounts being increased by Rs.2,784.26 Million and Rs.3,758.34 Million respectively. The valuations were carried out under the "Comparison" and "Contractor's" methods on the basis that the land and buildings are of freehold ownership and are free from any restrictions in regard to titles. These revaluations were carried out under level 2 of the fair value hierarchy.

Location/Address	Range of estimates for unobservable inputs				Extent (Perches)	Cost / revaluation land	Cost / revaluation of buildings	Total value	Accumulated depreciation	Net book value
	Price per perch for land	Price per for square foot building	Depreciation rate							
	Rs.' 000	Rs.' 000	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Central Finance Company PLC										
City Office										
No.270, Vauxhall Street, Colombo 02.	7,944.08	3.36	2.50	117.32	932,000	121,000	1,053,000	9,075	1,043,925	
No.268, Vauxhall Street, Colombo 02.	7,983.39	14.0	2.50	21.67	173,000	254,000	427,000	19,050	407,950	
Branches										
No.62, Maithripala Senanayake Mawatha, Anuradhapura	3,756.22	6.07	2.50	40.20	151,000	34,000	185,000	2,550	182,450	
No.367, Main Street, Negombo.	3,482.76	2.00	2.86	29.00	101,000	8,400	109,400	721	108,679	
No.38, Mihindu Mawatha, Kurunegala.	3,093.82	1.75	2.86	54.63	169,000	9,763	178,763	369	178,394	
No.04, Udaya Raja Mawatha, Badulla.	3,197.03	1.75	2.86	26.90	86,000	7,200	93,200	652	92,548	
No.78, Kumarathunga Mawatha, Matara.	2,882.24	2.00	2.86	125.25	361,000	13,000	374,000	1,115	372,885	
No.21, Kurunegala Road, Dambulla.	2,247.62	3.25	2.86	21.00	47,200	5,300	52,500	455	52,045	
No.143, Colombo Road, Moragahayata, Ratnapura	3,887.84	3.20	2.86	42.44	165,000	10,000	175,000	858	174,142	
No.312, Highlevel Road, Nugegoda.	6,988.47	4.75	2.50	13.86	97,000	32,000	129,000	2,400	126,600	
No.215, Maradana Road, Colombo 10	7,429.51	2.50	2.50	39.37	292,500	24,500	317,000	1,836	315,164	
No.254, 254/1, Katugastota Road, Kandy.	3,043.70	3.14	2.50	83.24	179,000	43,415	222,415	3,250	219,165	
Vehicle Yards										
No.249, Katugastota Road, Kandy.	2,920.40	0.85	2.86	137.31	401,000	7,800	408,800	669	408,131	
No.313, Koholwila Road, Kelaniya.	238.16	1.29	5.56	348.50	83,000	17,000	100,000	2,836	97,164	
Batalahenawatte Road, Gonawala, Kelaniya.	148.11	-	-	189.05	28,000	850	28,850	255	28,595	
No.258/3, Katugastota Road, Kandy.	1,988.53	-	-	52.30	104,000	-	104,000	-	104,000	
No.210, Siri Dhamma Mawatha, Colombo 10.	2,857.14	1.56	3.33	121.45	347,000	31,000	378,000	3,097	374,903	
No.313, Madawala Road, Katugastota.	1,457.33	0.80	8.33	167.43	244,000	1,600	245,600	400	245,200	
Kirindiwela Road, Pugoda.	24.18	3.50	4.00	1,600.00	38,680	2,320	41,000	278	40,722	
712/1, Koholwila Road, Gonawala, Kelaniya	480.47	-	-	32.62	15,673	-	15,673	-	15,673	
Other properties										
No.244, Vauxhall Street, Colombo 02.	9,008.33	3.50	2.50	13.21	119,000	37,000	156,000	2,775	153,225	
326, D.S.Senanayaka Veediya, Kandy	7,533.49	3.00	5.00	10.90	82,115	3,885	86,000	583	85,417	
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	4,509.70	3.00	2.50	38.14	172,000	18,000	190,000	1,350	188,650	
No.25, Sri Rahula Road, Nuwareliya.	896.91	4.50	2.50	194.00	174,000	24,000	198,000	1,800	196,200	
Indibedda, Moratuwa.	497.81	3.20	2.50	251.10	125,000	28,507	153,507	1,963	151,544	
55, Farm Road, Bandarawela	18.76	0.21	2.50	173.00	3,246	775	4,021	5	4,016	
Car Parks										
Yatinuwara Veediya, Kandy.	5,000.00	-	-	14.00	70,000	-	70,000	-	70,000	
No.267 & 269, Vauxhall Street, Colombo 02.	7,992.20	-	-	10.26	82,000	-	82,000	-	82,000	
Total for the Company					4,842,414	735,315	5,577,729	58,342	5,519,387	

Notes to the Financial Statements

Group companies Location/Address	Range of estimates for unobservable inputs			Extent (Perches)	Cost / revaluation land	Cost / revaluation of buildings	Total value Rs:'000	Accumulated depreciation Rs:'000	Carrying value Rs:'000
	Price per	Price per for	Depreciation						
	perch for	square foot	rate						
	land	building	%						
	Rs:' 000	Rs:' 000	%	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Dehigama Hotels Company Ltd.									
No.84, Raja Veediya, Kandy.	7,058.82	2.66	2.50	85.00	600,000	99,000	699,000	7,425	691,575
Kandy Private Hospitals Ltd.									
No.35, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	2,141.45	2.87	2.86	127.25	272,500	81,007	353,507	6,680	346,827
No. 35/178 & 35/178/1/1, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	1,870.08	2.05	3.33	38.10	71,250	25,750	97,000	2,575	94,425
Kirillagodawatta, off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	1,500.00	-	-	20.00	30,000	-	30,000	-	30,000
Central Mineral Industries (Pvt) Ltd.									
Diganatenna Estate, Gonawala, Rajawella, Digana	60.16	0.84	4.00	1,916.25	115,288	4,712	120,000	723	119,277
Central Industries PLC									
Factory									
No.195/4, Kerawalapitiya Road, Hendala, Wattala.	600.12	1.29	4.00	522.00	313,260	89,650	402,910	10,083	392,827
Udathuththiripitiya, Yakkala	44.71	2.59	2.50	1,400.00	62,596	78,324	140,920	5,874	135,046
Head office									
No.312, Nawala Road, Rajagiriya.	5,333.33	3.50	2.50	18.00	96,000	50,838	146,838	3,813	143,025
Total for the Group					6,403,308	1,164,596	7,567,904	95,515	7,472,389

Description of the above valuation techniques together with narrative description of the fair value measurement to changes in significant unobservable inputs are given below:

Valuation techniques	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Comparison method for valuation of land considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for differences in size, nature, location, condition of specific property. Contractor's method assesses all the cost of providing modern equivalent property, and thereafter adjusting it to the age of the subject property.	Price per perch for land. Price per square foot for building and depreciation rate for building..	Estimated fair value would get increased/(decreased) if, price per perch get higher/ (lower). Price per square foot get higher / (lower) and depreciation rate for building get lower/(higher).

	Group		Company	
	31.03.2022 Rs:'000	31.03.2021 Rs:' 000	31.03.2022 Rs:'000	31.03.2021 Rs:'000
Number of buildings owned by the group and company	48	47	25	24

The details of the revaluations carried out in March 2019 are given below.

Location/Address		Valuation Method	Carrying Value before Revaluation Rs.'000	Revalued Amount Rs.'000	Revaluation Surplus/ (deficits) Rs.'000
Central Finance Company PLC					
Offices					
No.270, Vauxhall Street, Colombo 02.	Land	Comparison	320,500	932,000	611,500
	Building	Contractor's	92,313	121,000	28,687
No.268, Vauxhall Street, Colombo 02.	Land	Comparison	65,000	173,000	108,000
	Building	Contractor's	237,828	254,000	16,172
Branches					
No.62, Maithripala Senanayake Mawatha, Anuradhapura	Land	Comparison	50,250	151,000	100,750
	Building	Contractor's	33,182	34,000	818
No.367, Main Street, Negombo	Land	Comparison	43,500	101,000	57,500
	Building	Contractor's	6,294	8,400	2,106
No.38, Mihindu Mawatha, Kurunegala	Land	Comparison	97,350	169,000	71,650
	Building	Contractor's	2,271	4,300	2,029
No.04, Udaya Raja Mawatha, Badulla	Land	Comparison	36,800	86,000	49,200
	Building	Contractor's	3,600	7,200	3,600
No.78, Kumarathunga Mawatha, Matara	Land	Comparison	145,200	361,000	215,800
	Building	Contractor's	5,828	13,000	7,172
No.143, Colombo Road Moragahayata, Ratnapura	Land	Comparison	79,878	165,000	85,122
	Building	Contractor's	5,477	10,000	4,523
No.312, Highlevel Road, Nugegoda	Land	Comparison	47,000	97,000	50,000
	Building	Contractor's	21,875	32,000	10,125
No.21, Kurunegala Road, Dambulla	Land	Comparison	20,000	47,200	27,200
	Building	Contractor's	4,375	5,300	925
No.254, Katugastota Road, Kandy	Land	Comparison	89,660	179,000	89,340
	Building	Contractor's	30,756	43,000	12,244
215,Maradana Road,Colombo 10.	Land	Comparison	135,985	292,500	156,515
	Building	Contractor's	21,971	24,500	2,529
Vehicle Yards					
No.249, Katugastota Road, Kandy.	Land	Comparison	200,447	401,000	200,553
	Building	Contractor's	6,368	7,800	1,432
No.313, Koholwila Road, Kelaniya.	Land	Comparison	36,500	83,000	46,500
	Building	Contractor's	8,303	17,000	8,697
Batalahenawatte Road, Gonawala, Kelaniya	Land	Comparison	23,750	28,000	4,250
	Building	Contractor's	753	850	97
No.210, Siri Dhamma Mawatha Colombo 10	Land	Comparison	173,576	347,000	173,424
	Building	Contractor's	17,880	31,000	13,120
No.313, Madawala Road, Katugastota	Land	Comparison	120,000	244,000	124,000
	Building	Contractor's	583	1,600	1,017
No.258/3, Katugastota Road, Kandy	Land	Comparison	52,000	104,000	52,000
Kirindiwela Road,Pugoda	Land	Comparison	21,200	38,680	17,480
	Building	Contractor's	2,215	2,320	105
Other properties					
No.244,Vauxhall Street,Colombo 02.	Land	Comparison	40,000	119,000	79,000
	Building	Contractor's	28,000	37,000	9,000
326,D.S.Senanayake Veediya,Kandy.	Land	Comparison	55,730	82,115	26,385
	Building	Contractor's	3,953	3,885	(68)

Notes to the Financial Statements

Location/Address		Valuation Method	Carrying Value before Revaluation Rs.'000	Revalued Amount Rs.'000	Revaluation Surplus/ (deficits) Rs.'000
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	Land	Comparison	76,000	172,000	96,000
	Building	Contractor's	12,250	18,000	5,750
No.25, Sri Rahula Road Nuwaraeliya	Land	Comparison	106,600	174,000	67,400
	Building	Contractor's	11,725	24,000	12,275
Indibedda, Moratuwa	Land	Comparison	75,250	125,000	49,750
	Building	Contractor's	21,656	25,000	3,344
Car Parks					
Yatinuwara Veediya, Kandy.	Land	Comparison	42,000	70,000	28,000
No.267 & 269, Vauxhall Street, Colombo 02.	Land	Comparison	30,750	82,000	51,250
Sub total	Land		2,184,926	4,823,495	2,638,569
	Building		579,456	725,155	145,699
Total for the Company			2,764,382	5,548,650	2,784,268
Kandy Private Hospitals Ltd.					
No.35, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	112,900	272,500	159,600
	Building	Contractor's	37,800	50,500	12,700
No.35/178 & 35/178/1/1, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	35,600	71,250	35,650
	Building	Contractor's	20,815	25,750	4,935
Kirillagodawatta, off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	10,000	30,000	20,000
Central Mineral Industries (Pvt) Ltd.					
Diganatenna Estate, Gonawala, Rajawella, Digana	Land	Comparison	63,100	115,288	52,188
	Building	Contractor's	4,657	4,712	55
Central Industries PLC					
Factory					
Kerawalapitiya	Land	Comparison	130,525	313,260	182,735
	Building	Contractor's	55,931	83,323	27,392
Udathuththiripitiya, Yakkala	Land	Comparison	36,861	62,595	25,734
	Building	Contractor's	73,281	78,324	5,043
Head office					
Nawala	Land	Comparison	40,000	96,000	56,000
	Building	Contractor's	38,542	50,837	12,295
Dehigama Hotels Company Ltd.					
No.84, Raja Veediya, Kandy.	Land	Comparison	244,000	600,000	356,000
	Building	Contractor's	75,250	99,000	23,750
Sub Total	Land		2,857,912	6,384,388	3,526,476
	Building		885,732	1,117,601	231,869
Total for the Group			3,743,644	7,501,989	3,758,345

Where properties have fallen in value, the decreases have been charged against revaluation reserve to the extent that it was credited previously and any decrease beyond such value was charged to the income statement during the year of such revaluations.

The carrying value of freehold land and buildings of the group, if carried at cost less accumulated depreciation and impairment, would amount to Rs. 821.72 Million as at 31.03.2022 (as at 31.03.2021 - Rs.840.62 Million).

The cost of fully depreciated assets of the group and company which are still in use amounted to Rs.4,207.82 Million and Rs.4,513.09 Million respectively as at 31.03.2022 (group Rs. 3,467.63 Million and company Rs. Rs.2,997.63 Million as at 31.03.2021).

Property, plant and equipment pledged as security for banking facilities

The carrying value of land and buildings pledged as security for banking facilities obtained amounted to Rs. 2,490.28 Million and Rs. 1,451.87 Million for the group and company as at 31.03.2022 respectively (group - Rs.2,504.33 Million and company Rs.1,461.25 Million as at 31.03.2021).

The carrying value of machinery equipment pledged as security for banking facilities by a group company amounted to Rs.3.30 Million as at 31.03.2022 (31.03.2021 - 4.01 Million).

There were no temporary idle property, plant and equipment as at 31.03.2022 (31.03.2021-Nil).

There were no capitalised borrowing costs related to acquisition of property, plant and equipment during the financial year 2021/22 (2020/21 - Nil).

There were no restrictions on the title of property, plant and equipment of the group as at the year end.

No compensation was received or due from third parties for items of property, plant and equipment that were impaired, lost or given up.

The Board compared the carrying value of land and building with comparable market prices and concluded that there is no adjustment required for impairment of property, plant and equipment.

Notes to the Financial Statements

38 RIGHT OF USE ASSETS AND LEASE LIABILITIES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16. This policy is applied to contracts entered into, on or after 1 April 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from the company's internal records (weighted average cost of funds) to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Right of use assets and incremental borrowing rate

The group uses its judgment in determining whether an operating lease contract qualifies for recognition of right of use assets. The group applies judgments in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The group considers all relevant factors that create economic benefits for it to exercise either the renewal or termination. Further, the group cannot readily determine the interest rate implicit in the lease. Therefore, the group uses the incremental borrowing rate to measure lease liability. The incremental borrowing rate is the rate of interest that the group would have to pay to borrow over a similar term and with similar security the funds necessary to obtain an asset of a similar value to the right of use asset in similar economic environment.

Notes to the Financial Statements

38.1 Movement in Right of use assets

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Cost				
Balance at the beginning of the year	750,025	615,779	919,439	785,193
Additions/renewals of operating leases during the year	154,575	134,246	154,575	134,246
Effect due to disposal of a subsidiary	(83)	-	-	-
Balance at the end of the year	904,517	750,025	1,074,014	919,439
Accumulated Amortisation				
Balance at the beginning of the year	310,852	172,234	344,732	172,225
Amortisation for the year (Note 38.3)	135,867	138,618	169,766	172,507
Effect due to disposal of a subsidiary	(20)	-	-	-
Balance at the end of the year	446,699	310,852	514,498	344,732
Carrying value as at end of the year	457,818	439,173	559,516	574,707
Maturity analysis of right of use assets				
Less than one year	122,305	149,814	153,379	149,750
01 to 5 years	247,288	200,466	317,912	336,064
More than 5 years	88,225	88,893	88,225	88,893
	457,818	439,173	559,516	574,707

38.2 Lease liability

Balance at the beginning of the year	390,449	353,414	537,314	522,842
Additions/renewals of operating leases during the year	154,575	134,246	154,575	134,246
Effect due to disposal of a subsidiary	(68)	-	-	-
Interest expenses (Note 38.3)	46,527	44,747	60,544	61,431
Payments to lease creditors (Note 38.4)	(166,482)	(141,958)	(209,673)	(181,205)
Balance at the end of the year	425,001	390,449	542,760	537,314
Maturity analysis of lease liabilities				
Less than one year	87,010	111,418	116,557	111,354
1 to 5 years	233,316	166,229	321,528	313,158
More than 5 years	104,675	112,802	104,675	112,802
	425,001	390,449	542,760	537,314

38.3 The following are the amounts recognised in the income statement

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Amortisation on right of use assets	135,867	138,618	169,766	172,507
Interest expenses on lease liability	46,527	44,747	60,544	61,431

38.4 Amounts recognised in statement of cash flows

The Company/ Group has classified:

- Cash payments for the principal portion of lease payments as financing activities;
- Cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company/ Group
- Short-term lease payments and payments for leases of low-value assets as operating activities.

Year ended	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Capital repayments	117,055	85,674	146,230	119,012
Interest payments	49,427	56,284	63,443	62,193
	166,482	141,958	209,673	181,205

38.5 Extension Options

Some property leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The company has estimated that the potential future lease payments, should it exercise the extension option, would result in no material increase in lease liability.

38.6 The amount expensed during the year on short term leases-Rs.4.24 Million (1.95 Million -2020/21)

39 INTANGIBLE ASSETS

Accounting policy

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit or Loss when the asset is de-recognised.

Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and carried at its cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programs are recognised as expense incurred.

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised over the useful lives.

Notes to the Financial Statements

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Statement of Profit or Loss as incurred.

Amortization

Amortization is recognized in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use. The estimated useful lives are as follows;

Software license 5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Useful lives of intangible assets

The useful lives, residual values and methods of depreciation/amortisation of intangible assets are reviewed at each reporting date. Judgment of the management is exercised in the estimation of these values, rates and methods and therefore they are subject to uncertainty.

Impairment losses on intangible assets

The group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the group makes an estimate of the asset's recoverable amount. This requires the estimation of the value in use of such individual assets. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit, which requires management judgment on expected future cash flows and discount rates to be used in determining the value in use.

39.1 Reconciliation of carrying amount

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Computer software at cost				
At the beginning of the year	454,171	442,585	449,879	438,293
Additions	22,628	11,586	21,822	11,586
At the end of the year	476,799	454,171	471,701	449,879
Amortisation				
At the beginning of the year	(353,397)	(310,164)	(349,599)	(306,542)
Charge for the year	(37,610)	(43,233)	(37,293)	(43,057)
At the end of the year	(391,007)	(353,397)	(386,892)	(349,599)
Carrying value at the end of the year	85,792	100,774	84,809	100,280

The cost of fully depreciated intangible assets which are currently in use as at 31.03.2022 at the Group and Company amounted to Rs. 293.85 Million and Rs. 290.09 Million respectively (Group - Rs. 250.03 Million and Rs. 246.83 Million as at 31.03.2021).

There were no capitalised borrowing costs related to acquisition of intangible assets during the financial year 2020/21 (2019/20 - Nil).

Assessment of Impairment of Intangible Assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 March 2022. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the intangible assets of the Company/ Group as at the reporting date.

Intangible Assets pledged as Security

There are no intangible assets pledged as security for banking facilities as at 31.03.2022 (31.03.2021- Nil) .

Acquisition of intangible assets during the Year

During the financial year, the Group acquired intangible assets to the aggregate value of Rs.22.63 Million (2020/21 - Rs.11.58 Million). Cash payments amounting to Rs.22.63 Million (2020/21 - Rs.11.58 Million) were made during the year.

Amount of Contractual Commitments for the Acquisition of Intangible Assets

There are no contractual commitments for the acquisition of Intangible Assets as at the reporting date.

40 CURRENT TAX ASSETS / LIABILITIES

Accounting policy

See accounting policies in Note 22.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Balance at the beginning of the year	1,378,098	835,352	1,253,375	752,572
Provision for the year (Note 22.1)	2,861,096	2,444,174	2,602,318	2,263,003
Under/(over) provision for previous years (Note 22.1)	(53,862)	6,391	(56,117)	14,833
Liabilities associated with disposal of subsidiary	(4,734)	-	-	-
Reclassification of current tax assets under assets held for sale	100	-	-	-
Income tax paid	(2,408,676)	(1,907,819)	(2,202,426)	(1,777,033)
Balance at the end of the year	1,772,022	1,378,098	1,597,150	1,253,375
Current tax assets	1,127	2,420	-	-
Current tax liabilities	(1,773,149)	(1,380,518)	(1,597,150)	(1,253,375)
	(1,772,022)	(1,378,098)	(1,597,150)	(1,253,375)

41 ASSET HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

The Board of directors of subsidiary company, Central Industries PLC have recommended that action be taken to wind up Central Industries Marketing (Pvt) Limited, a fully owned subsidiary of Central Industries PLC by Voluntary Liquidation as at 31 March 2022 and Management has appointed a liquidator. Assets and liabilities of Central Industries Marketing (Pvt) Ltd. as at the reporting date are given below:

	Group	
	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000
Current tax assets	100	-
	100	-
Liabilities directly associated with the assets held for sale		
Other Payables	1,224	-
	1,224	-

Notes to the Financial Statements

42 DEFERRED TAX ASSETS AND LIABILITIES

Accounting policy

See accounting policies in Note 22.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these credits/losses can be utilised. Significant management judgments are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

	Group		Company	
	31.03.2022 Rs.' 000	31.03.2021 Rs.' 000	31.03.2022 Rs.' 000	31.03.2021 Rs.'000
Net deferred tax asset/(liability)				
Net deferred tax assets(Note 42.1 .b)	15,196	18,406	-	-
Net deferred tax liability (Note 42.1.a)	1,765,957	2,201,544	1,438,012	1,872,272
	1,750,761	2,183,138	1,438,012	1,872,272
42.1.a Deferred tax liability				
At the beginning of the year	2,704,239	4,457,859	2,345,811	3,925,299
Temporary differences reversed during the year	(228,784)	(1,020,919)	(227,801)	(1,018,809)
Effect of change in tax rate	-	(403,953)	-	(373,887)
Total amount reversed to income statement	(228,784)	(1,424,872)	(227,801)	(1,392,696)
Transfer to / (from) statement of other comprehensive income	-	(328,748)	-	(186,792)
At the end of the year	2,475,455	2,704,239	2,118,010	2,345,811
	-			
Offset against deferred tax assets	(709,498)	(502,695)	(679,998)	(473,539)
Net deferred tax liability	1,765,957	2,201,544	1,438,012	1,872,272
42.1.b Deferred tax assets				
At the beginning of the year	521,101	516,263	473,539	465,867
Originated during the year	205,107	77,900	205,444	72,701
Effect of change in tax rates	-	(76,367)	-	(66,553)
Total amount reversed to income statement	205,107	1,533	678,983	6,148
Transfer to /(from) statement of other comprehensive income	(1,514)	3,305	1,015	1,524
At the end of the year	724,694	521,101	679,998	473,539
Offset against deferred tax liability	(709,498)	(502,695)	(679,998)	(473,539)
Net deferred tax asset	15,196	18,406		-

42.2

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	2,475,052	2,702,589	227,537	1,425,979	-	328,748
Fair value changes in unquoted investments and investment properties	403	1,650	1,247	(1,107)	-	-
	2,475,455	2,704,239	228,784	1,424,872	-	328,748
Deferred tax assets						
Defined benefit plans	(421,672)	(467,618)	(44,432)	(24,070)	(1,514)	3,305
On bad debts provisions	(270,206)	(26,107)	244,099	20,439	-	-
Revaluation loss on repossessed stocks	(5,518)	(6,071)	(553)	(942)	-	-
On inventories	(6,121)	(5,862)	259	(612)		
Tax losses	(861)	(975)	(114)	(267)	-	-
On right of use assets	(20,316)	(14,468)	5,848	6,985	-	
	(724,694)	(521,101)	205,107	1,533	(1,514)	3,305
Deferred tax income / (expense)	-	-	433,891	1,426,405	(1,514)	332,053
Net deferred tax liability	1,750,761	2,183,138	-	-	-	-

Notes to the Financial Statements

42.3 Company

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	2,117,607	2,344,161	226,554	1,393,803	-	186,792
Fair value changes in unquoted investments and investment properties	403	1,650	1,247	(1,107)	-	-
	2,118,010	2,345,811	227,801	1,392,696	-	186,792
Deferred tax assets						
Defined benefit plans	(391,840)	(432,915)	(42,090)	(19,980)	1,015	1,524
Revaluation loss on repossessed stocks	(5,518)	(6,071)	(553)	(942)	-	-
On right of use assets	(20,316)	(14,468)	5,848	6,985	-	-
On bad debt provision	(262,324)	(20,085)	242,239	20,085	-	-
	(679,998)	(473,539)	205,444	6,148	1,015	1,524
Deferred tax income / (expense)	-	-	433,245	1,398,844	1,015	188,316
Net deferred tax liability	1,438,012	1,872,272				

Recoverability of Deferred Tax assets

During the year ended 31 March 2022, the Group has recognised a deferred tax asset amounting to Rs.0.86 Million (2020/21 -Rs.0.97 Million) arising from tax losses as at 31 March 2022 after assessing the availability of future taxable profits for utilisation. The deferred tax asset recognised will be tested for impairment on an annual basis and deferred tax asset recognised may be written off, if required.

There are no unused tax losses for which deferred tax assets have not been recognised as at 31.03.2022 (31.03.2021-Rs.50.55 Million).

Impact due to corporate income tax rate change

As provided for in LKAS 12 - Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realized or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date. The Tax rate change and the impact on deferred tax is detailed in Note 22.3.

Deferred tax liability on revaluation gains

Having discussed internally and based on market practices, the Group is of the view that the investment property falls under the category "Investment Assets" and accordingly the Group will be liable for capital gain tax at a rate of 10% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", the Group would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31 March 2022 amounting to Rs. 1.81 Million (2020/21 - Rs.1.81 Million) with a consequential increase in the deferred tax liability on the statement of financial position.

43 OTHER ASSETS

See accounting policy in Notes 4.3 and 17.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Impairment loss on accounts receivable and other assets

The group reviews accounts receivable, and other assets on an individual basis to assess any indications of impairment and if a provision for impairment should be recorded in the consolidated statement of profit or loss and comprehensive income, such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty, and actual results may differ resulting in future changes to such provisions.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Financial assets				
Refundable deposits	14,415	12,827	5,656	6,019
Dividends receivables	22,090	51,130	20,156	19,816
Other receivables	41,635	74,398	39,666	72,407
Refundable deposits due from subsidiaries	-	-	21,800	19,950
	78,140	138,355	87,278	118,192
Provision for impairment	(10,473)	(14,668)	(10,473)	(14,668)
	67,667	123,687	76,805	103,524
Non financial assets				
Payments in advance/ pre-payments	946,160	256,118	740,424	233,474
Salary advances	32,153	29,412	28,506	25,321
Pre-paid staff cost	2,484	1,963	1,840	1,472
VAT receivables	22,688	26,331	-	-
Other receivables	25,569	16,248	25,560	16,207
	1,029,054	330,072	796,330	276,474
Gross other assets	1,107,194	468,427	883,608	394,666
Allowance for impairment (43.1)	(10,473)	(14,668)	(10,473)	(14,668)
	1,096,721	453,759	873,135	379,998

Notes to the Financial Statements

43.1 Movement in impairment for other assets

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Balance at the beginning of the year	14,668	13,726	14,668	13,726
Charge /(write back) to income statement during the year	(93)	942	(93)	942
Write off of impaired debtors	(4,102)	-	(4,102)	
Balance at the end of the year	10,473	14,668	10,473	14,668
Receivable within one year	1,034,028	390,099	852,716	336,136
Receivable after one year	73,166	78,328	30,892	58,530
	1,107,194	468,427	883,608	394,666

44 REAL ESTATE HELD FOR SALE

Accounting policy

Real estate are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Balance at the beginning of the year	64,535	69,164	64,535	69,164
Disposals during the year	(5,969)	(4,629)	(5,969)	(4,629)
	58,566	64,535	58,566	64,535
Provision for impairment	(53,411)	(53,838)	(53,411)	(53,838)
Balance at the end of the year	5,155	10,697	5,155	10,697
44.1 Movement in impairment for real estate				
Balance at the beginning of the year	53,838	50,825	53,838	50,825
Charge/(write back) to income statement during the year	(427)	3,013	(427)	3,013
Balance at the end of the year	53,411	53,838	53,411	53,838

45 FINANCIAL LIABILITIES AT AMORTISED COST – DEPOSITS

Accounting Policy

See accounting policy in Note 4.3.

Deposits include term deposits accepted under various tenors ranging from one month to five years and savings deposits. These deposits are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included in interest expenses in the Income Statement. Gains and losses are recognised in the Income Statement when the liabilities are de-recognised. Group has not designated any liabilities at fair value through profit or loss as at the reporting date.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Term deposits	47,335,460	50,839,603	47,624,940	51,114,852
Savings	1,380,004	1,312,893	1,399,242	1,472,217
	48,715,464	52,152,495	49,024,182	52,587,069
Payable within one year	46,945,646	40,677,902	47,254,357	41,107,476
Payable after one year	1,769,818	11,474,593	1,769,825	11,474,593
	48,715,464	52,152,495	49,024,182	52,587,069

The above includes a sum of Rs.1,140,830,626/- (Rs.972,939,084/- as at 31.03.2021) deposited with the company by the directors and their close family members.

46 FINANCIAL LIABILITIES AT AMORTISED COST - INTEREST BEARING BORROWINGS

Accounting Policy

See accounting policy in Note 4.3.

Other borrowing represents borrowing from other financial institutions. Subsequent to initial recognition these borrowings are measured at their amortised cost using the Effective Interest Rate (EIR) method. The EIR amortisation is included in interest expenses in the income statement. Gains and losses are recognised in the income statement when the liabilities are de-recognised.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Short term borrowings	579,706	1,531,865	-	953,206
Long term borrowings	128,759	142,100	88,329	138,126
	708,465	1,673,965	88,329	1,091,332
Balance at the beginning of the year	1,673,965	8,132,977	1,091,332	7,798,612
Borrowed during the year	2,429,881	2,949,292	-	950,000
Capital repayments during the year	(3,398,843)	(8,577,813)	(1,006,465)	(6,826,789)
Amortised interest	3,462	(830,491)	3,462	(830,491)
Balance at the end of the year	708,465	1,673,965	88,329	1,091,332

Notes to the Financial Statements

Borrower	Lending Institution	Nature of facility	Security	Group/ Company	
				31.03.2022	31.03.2021
				Rs.000	Rs.000
46.1	Short term borrowings				
Central Finance Company PLC	Hatton National Bank PLC	Revolving short term loan	Mortgage over lease receivables	-	953,206
Total for the company				-	953,206
Central Industries PLC	Hatton National Bank PLC	Short term loan	Unsecured	-	110,235
	Commercial Bank of Ceylon PLC	Short term loan	Unsecured	579,706	321,900
	Seylan Bank PLC	Short term loan	Unsecured	-	73,000
	Nations Trust Bank PLC	Short term loan	Unsecured	-	19,422
	Public Bank	Short term loan	Unsecured	-	54,102
				579,706	578,659
Total for the group				579,706	1,531,865

Short term borrowings have maturities less than one year.

Borrower	Lending Institution	Nature of facility	Security	Group/ Company	
				31.03.2022	31.03.2021
				Rs.000	Rs.000
46.2	Long term borrowings				
Central Finance Company PLC	State Bank of India	Long term loan	Mortgage over properties	88,329	138,126
Total for the company				88,329	138,126
Central Mineral Industries (Pvt)Ltd.	Commercial Bank of Ceylon PLC	Long term loan	Pledge over machinery and equipment	1,166	3,974
Central Industries PLC	Commercial Bank of Ceylon PLC	Long term loan	Unsecured	17,764	-
	Sampath Bank PLC	Long term loan	Unsecured	21,500	-
Total for the group				128,759	142,100
Payable within one year				69,083	51,926
Payable after one year				59,676	90,174
Total for the group				128,759	142,100

47 EMPLOYEE BENEFIT OBLIGATIONS

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Actuarial gains and losses are recognised as income or expenses in the statement of comprehensive income during the financial year in which they arise. The gratuity liability of the parent company is externally funded in part by a gratuity fund established in 1987, with the investments of the fund being mainly in fixed deposits, treasury bills and debentures with approved banks. Gratuity liabilities of the other companies in the group are not externally funded. Provision is made for defined benefit plan liability for all employees from the first year of service in conformity with Sri Lanka Accounting Standard (LKAS 19) – Employee Benefits.

The liability of the parent company is computed on the following basis for employees who have joined the company on or before 01.04.2013 while the rest of the employees are entitled for half a month's salary for each completed year of service as per the provisions of the Gratuity Act No. 12 of 1983.

Length of service (completed years)	No of months' salary for each completed year
Up to 15	½
15 up to 30	1
30 up to 35	1 ½
35 up to 40	2
Over 40	2 ½

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. Liabilities for the other companies in the group are computed on the basis of half a month's salary for each year of completed service.

Recognition of actuarial gains and losses

The Group recognises the total actuarial gains and losses in the other comprehensive income during the period in which it occurs.

Recognition of current service cost

Since end of service gratuity defined benefit is a statutory benefit, the recognition of current service cost will arise only if the Payment of Gratuity Act No. 12 of 1983 is amended in future to increase the promised benefit on termination of employment. In such event, the company will adopt the accounting policy currently used for defined benefit plans.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Defined benefit plans

Cost of defined benefit plans are determined using actuarial valuations. Actuarial valuation involves making various assumptions, determining discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and their long-term nature such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the management considers the interest rates of Sri Lanka Government Bonds. The mortality rate is based on publicly available mortality tables. Estimate on future salary increases is based on expected future inflation rates and expected future salary increase rate of the company.

Notes to the Financial Statements

Amendment to the provisions of Minimum Age of Workers Act No 28 of 2021

With the implementation of the provisions of Minimum Age of Workers Act No 28 of 2021, the Company revised the minimum retirement age of its employees as follows.

Age of employee (As at 17th November 2021)	Minimum Retirement Age
54 or above and below 55 years	57 Years
53 or above and below 54 years	58 Years
52 or above and below 53 years	59 Years
Below 52 years	60 Years

The above revision was captured as planned amendment in accordance with LKAS-19 in the actuarial valuation as at 31st March 2022 and resulted in a past service benefit of Rs. 6.07 Mn at group and Rs. 5.13 Mn company respectively which is recognised in the income statement during the year.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Present value of defined benefit obligation	1,783,967	1,977,715	1,638,505	1,822,283
Fair value of plan assets	(5,839)	(18,468)	(5,839)	(18,468)
Unfunded status	1,778,128	1,959,247	1,632,666	1,803,815
Net retirement benefit obligation	1,778,128	1,959,247	1,632,666	1,803,815
Movement of the retirement benefit obligation				
Present value of defined benefit obligation at the beginning of the year	1,977,715	1,930,625	1,822,283	1,796,533
Interest cost	136,617	182,591	127,559	170,671
Current service cost	86,859	93,255	75,636	80,612
Past service cost	(6,072)	-	(5,128)	-
Payments made during the year	(394,341)	(245,584)	(385,039)	(233,408)
Actuarial (gain) / loss	(9,917)	16,828	3,194	7,875
Effect due to disposal of a subsidiary	(6,894)	-	-	-
Present value of defined benefit obligation at the end of the year	1,783,967	1,977,715	1,638,505	1,822,283
Movement of the plan assets				
Fair value of the plan assets at the beginning of the year	18,468	184,495	18,468	184,495
Contributions paid into the plan	63,363	60,903	63,363	60,903
Benefits paid by the plan	(76,211)	(233,408)	(76,211)	(233,408)
Expected return on plan assets	1,253	4,953	1,253	4,953
Actuarial gain /(loss)	(1,034)	1,525	(1,034)	1,525
Fair value of the plan assets at the end of the year	5,839	18,468	5,839	18,468
Plan assets consist of the following:				
Investments in debentures	-	16,522	-	16,522
Investments in Savings deposits with banks	5,839	1,946	5,839	1,946
	5,839	18,468	5,839	18,468

The investment portfolio of the plan assets are exposed to market and credit risks.

Retirement benefit liability of Central Finance Company PLC is partly funded externally through a gratuity fund established in 1987 and the shortfalls on gratuity payments are funded by the company.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognizes gain or losses on the settlement of a defined plan when the settlement occurs

Retirement benefit obligations of Central Finance Company PLC, Central Industries PLC, and CF Insurance Brokers (Pvt) Ltd., have been determined based on actuarial valuations carried out by Mr. Pushpakumara Gunasekera-Actuary/Associate of the Institute of Actuaries of Australia. Employee benefit liabilities of Central Mineral Industries (Pvt) Ltd, and Kandy Private Hospitals Ltd., are computed based on a formula which approximates actuarial valuation.

Details of actuarial assumptions of the parent company are as follows:

	31.03.2022 Rs.' 000	31.03.2021 Rs.' 000
Actuarial assumptions		
Discount rate	13.50%	7.00%
Future salary increases	12.00%	8.00%

Details of actuarial assumptions of subsidiary company Central Industries PLC

Actuarial assumptions		
Discount rate	13.50%	7.00%
Future salary increases	10.00%	10.00%

Details of actuarial assumptions of subsidiary company CF Insurance Brokers (Pvt) Ltd.

	31.12.2021	31.12.2020
Actuarial assumptions		
Discount rate	11.00%	7.00%
Future salary increases	10.00%	7.50%

The change in actuarial assumptions are due to change in market interest rates and change in expected salary increases. There are no changes to the method and assumptions used in the sensitivity analysis performed in 2020/21 and 2021/22.

Mortality A1967/70 Ultimate Mortality Table
Staff Withdrawal Rate 18%

A 1967/70 ultimate Mortality Rates	Age:	20	25	30	35	40	45	50	55
	Rate	0.00089	0.00069	0.00065	0.00086	0.00144	0.00264	0.00479	0.00844
Disability rates	Age:	20	25	30	35	40	45	50	55
	Rate	0.00012	0.00012	0.00012	0.00013	0.00018	0.00028	0.00048	0.00086

Disability rates are based on standard permanent disability rates for accident & sickness used by insurance industry in Sri Lanka.

Notes to the Financial Statements

Sensitivity of assumptions employed in gratuity liability valuation

The following table demonstrates the impact on the defined benefit obligation and statement of comprehensive income of the changes in the significant actuarial assumptions employed with all other variables held constant in the employee benefit liability measurement.

Company	Increase/ (decrease)	2021/2022		2020/2021	
		Sensitivity effect on comprehensive income statement increase/ (decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/ (decrease) in liability	Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/ (decrease) in liability
		Rs.000	Rs.000	Rs.000	Rs.000
Discount rate	1%	25,463	(25,463)	24,513	(24,513)
	-1%	(27,007)	27,007	(25,894)	25,894
Salary increment rate	1%	(34,927)	34,927	(33,664)	33,664
	-1%	33,619	(33,619)	32,595	(32,595)

Group	Increase/ (decrease)	2021/2022		2020/2021	
		Sensitivity effect on comprehensive income statement increase/ (decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/ (decrease) in liability	Sensitivity effect on comprehensive income statement increase/ (decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/ (decrease) in liability
		Rs.000	Rs.000	Rs.000	Rs.000
Discount rate	1%	30,614	(30,614)	29,402	(29,402)
	-1%	(32,658)	32,658	(31,238)	31,238
Salary increment rate	1%	(41,002)	41,002	(39,316)	39,316
	-1%	39,253	(39,253)	37,870	(37,870)

Maturity profile of the defined benefit obligation

Parent company

Future expected working life	Number of employees	Defined benefit obligation Rs.000
Within next 12 months	68	892,338
Between 1-2 years	19	83,585
Between 2-5 years	1,632	662,583
Total	1,719	1,638,506
Average future expected working life		3.89 years

Subsidiary - Central Industries PLC

Future expected working life	Number of employees	Defined benefit obligation Rs.'000
Within next 12 months	19	21,018
Between 1-2 years	8	4,466
Between 2-5 years	67	23,376
Between 5-10 years	298	16,173
Total	392	65,033
Average future expected working life		4.76 years

Subsidiary - CF Insurance Brokers(Pvt)Ltd.

Future expected working life	Number of employees	Defined benefit obligation Rs.'000
Within next 12 months	3	4,635
Between 1-2 years	2	6,619
Between 2-5 years	5	9,881
Between 5-10 years	85	49,500
Total	95	70,635
Average future expected working life		8.09 years

Notes to the Financial Statements

48 OTHER LIABILITIES

See accounting policy in Note 4.3.

Provisions are recognised when it is probable that an outflow of economic benefit will be required to settle a current legal or constructive obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Financial liabilities				
Provision for Bonus	178,979	102,183	174,281	88,633
Dividends payable	50,814	47,662	46,657	44,627
Security deposits	48,141	36,611	1,152	1,130
Amounts due to subsidiaries (Note 48.1)	-	-	168,419	182,122
Other payables	42,056	28,227	40,104	26,060
Accounts payables	1,633,009	819,422	186,703	294,732
	1,952,999	1,034,105	617,316	637,304
Non-financial liabilities				
Accrued expenses	464,288	273,711	130,100	72,519
Taxes on financial services payable	41,737	115,726	41,737	115,726
Stamp duty payable	85,137	78,052	85,137	78,052
Other Provisions	199,878	176,946	161,351	150,039
	791,040	644,435	418,325	416,336
	2,744,039	1,678,540	1,035,641	1,053,640
Payable within one year	2,651,243	1,582,163	989,834	1,016,772
Payable after one year	92,796	96,377	45,807	36,868
	2,744,039	1,678,540	1,035,641	1,053,640
48.1 Amounts due to subsidiaries				
CF Insurance Brokers (Pvt)Ltd.	-	-	168,419	181,997
Central Transport and Travels Ltd.	-	-	-	125
	-	-	168,419	182,122

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	Company			
	31.03.2022		31.03.2021	
	No. of shares	Stated Capital	No. of shares	Stated Capital
	In. 000	Rs.' 000	In. 000	Rs.'000
STATED CAPITAL				
Issued and fully paid - ordinary shares				
At the beginning of the year	224,025	1,961,597	220,674	1,696,898
Scrip dividends	3,329	268,689	3,351	264,699
At the end of the year	227,354	2,230,286	224,025	1,961,597

A scrip dividend of Rs.1.20 per share was paid in July 2021. Subsequent to the scrip dividend, reserves amounting to Rs.268.69 Million were capitalised at the rate of Rs.80.70 per share through issue of 3,329,475 new shares. As a result, the number of shares increased to 227,354,462. Net assets per share of the previous periods were adjusted accordingly.

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost. The shares of the Company are quoted on the Colombo Stock Exchange.

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Company.

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	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
STATUTORY RESERVE FUND				
Balance at the beginning of the year	2,371,000	2,213,000	2,371,000	2,213,000
Transfers during the year	344,000	158,000	344,000	158,000
Balance at the end of the year	2,715,000	2,371,000	2,715,000	2,371,000

The company's reserve fund is maintained in accordance with Direction No. 9 of 1991 as amended by Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

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	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
REVALUATION RESERVES				
Balance at the beginning of the year	5,102,431	4,823,863	3,747,729	3,567,167
Depreciation on revaluation surplus	(8,104)	(8,102)	(6,230)	(6,230)
Effect due to change of income tax rate from 28% to 24%	-	281,387	-	186,792
Reversal of revaluation surplus on disposal of land	(156,611)	-	(156,611)	-
Share of revaluation surplus - associate company	38,532	5,283	-	-
Balance at the end of the year	4,976,248	5,102,431	3,584,888	3,747,729

Notes to the Financial Statements

Revaluation reserve consists of the net surplus on the revaluation of land and buildings.

		Group	
		31.03.2022	31.03.2021
		Rs.' 000	Rs.' 000
52	FAIR VALUE RESERVE		
	Balance at the beginning of the year	27,538	111,767
	Fair value change during the year	(426,030)	(84,229)
	Balance at the end of the year	(398,492)	27,538

Fair value reserve represents share of gains/(losses) arising from financial assets of an associate company designated at fair value through other comprehensive income.

		Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
53	LOAN LOSS RESERVE				
	Balance at the beginning of the year	920,000	920,000	920,000	920,000
	Balance at the end of the year	920,000	920,000	920,000	920,000

Loan loss reserve was made during 2017/18 financial year to match the gap between regulatory time based provision and impairment based on Sri Lanka Financial Reporting Standards (SLFRS) on loans and advances. The impairment excess over the regulatory time based provision as at 31.03.2022 stands at Rs. 1,491 Million.

		Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
54	GENERAL RESERVE				
	General reserve	23,402,957	23,402,957	23,391,776	23,391,776

General reserve represents amounts set aside by the directors for future expansions, and to meet any contingencies.

		Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
55	RETAINED EARNINGS				
	Balance at the beginning of the year	16,266,493	11,157,205	7,558,554	3,844,212
	Total comprehensive income	7,007,281	5,524,079	5,352,206	4,131,145
	Total contributions from and distribution to equity holders and other transfers	(1,284,322)	(414,791)	(1,286,529)	(416,803)
	Balance at the end of the year	21,989,452	16,266,493	11,624,231	7,558,554

Retained earnings represents accumulated profits of the company

56 SECURED LIABILITIES

Short and long term borrowings of the Company have been secured on the mortgage of specific land and buildings, pledge of specific quoted company shares and assignment of specific lease receivables and hyphenation of hire purchase and lease contracts. The carrying value of the assets mortgaged / assigned as security amounted to Rs.8,126.88 Million as at 31.03.2022 (As at 31.03.2021 - Rs.8,432.26 Million).

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Total available facilities	10,777	7135	5,664	6,038
Used	1,137	3362	88	2,388
Unused	9,640	3773	5,576	3,650

General terms and conditions relating to above pledges are;

- 1 The value of the lease receivables pledged as securities to be over and above the facilities obtained.
- 2 The mortgaged receivables should comprise assets with appropriate past due days.
- 3 All assets mortgaged to the lending institutions should be valued at such intervals as mandated by law and applicable regulations by professionally qualified valuers.
- 4 Company should maintain comprehensive insurance cover over all the assets pledged to the lending institutions.

57 CAPITAL COMMITMENTS

Capital commitments for which provision has not been made in the financial statements amounts to approximately Rs. 33.6 Million for the company and Rs. 150.8 Million for the group (2020/21 - Rs. 20.18 Million for the company and Rs. 37.82 Million for the group).

58 CONTINGENT LIABILITIES

Accounting policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed.

Contingent assets are disclosed where an inflow of economic benefit is probable.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position, but are disclosed.

Notes to the Financial Statements

Contingent liabilities as at	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.'000
Guarantees Issued				
Fully secured guarantees issued on behalf of depositors	29,165	70,185	29,165	70,185
Letter of credit facilities	5,325	19,106	5,325	19,106
	34,490	89,291	34,490	89,291
Maturity profiles of contingent liabilities are				
Payable within one year	34,490	88,491	34,490	88,491
Payable after one year	-	800	-	800
	34,490	89,291	34,490	89,291
Contingent liabilities and commitments- associate companies	239,618	197,802		

Tax assessments against the Company

The following tax assessments are outstanding and the Company has duly appealed against. Based on the internal assessment, no additional provision were required to be made in those financial statements.

Period	Tax Type	Assessment Value	Current Status
		Rs. Mn	
2009/2010	VAT	177.00	Court of Appeal
2009/2010	Income Tax	250.00	Court of Appeal
2010/2011	Income Tax	35.00	Court of Appeal
2013/2014	Income Tax	346.00	Tax Appeal Commission
2013/2014	VAT	117.00	Tax Appeal Commission
2014/2015	VAT	117.00	Tax Appeal Commission
2015/2016	NBT	13.20	Tax Appeal Commission
2017/2018	NBT	27.40	Inland Revenue Department
2016/2017	VAT	23.00	Tax Appeal Commission
2018/2019	VAT on financial services	42.50	Inland Revenue Department
2017/2018	VAT on financial services	79.80	Inland Revenue Department

Group companies

CF Insurance Brokers (Pvt) Ltd.

The following tax assessments are outstanding and the Group entity has duly appealed against. Based on the internal assessment, no additional provision were required to be made in those financial statements.

Period	Tax Type	Assessment Value	Current Status
2011/2012	NBT	Rs. 2.76 Million	Court of Appeal

Hedges Court Residencies (Pvt) Ltd.

The following tax assessments are outstanding and the Group entity has duly appealed against. Based on the internal assessment, no additional provision were required to be made in those financial statements.

Period	Tax Type	Assessment Value	Current Status
2009/2010	NBT	Rs. 12.37 Million	Court of Appeal
2010/2011	NBT	Rs.12.75 Million	Court of Appeal
2011/2012	NBT	Rs.14.93 Million	Court of Appeal

59 EVENTS AFTER THE REPORTING PERIOD

Accounting policy

All material events after the statement of financial position date have been considered and where appropriate adjustments to or disclosures are made in the consolidated financial statements.

59.1 Proposed final dividend

The directors have recommended the payment of a final dividend of Rs.2.00 per share payable by cash for the year ended 31st March 2022 which requires the approval of shareholders at the Annual General Meeting to be held on 30th June 2022.

In accordance with LKAS 10 "Events after the reporting period", this proposed final dividend has not been recognised as a liability at the year-end. (2020/21 – 3.50 per share of which Rs. 2.30 per share payable by cash and Rs. 1.20 per share payable by way of a scrip dividend through the allotment of new shares).

As required by section 56 (2) of the Companies Act No.7 of 2007, the board of directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained necessary approvals from the Central Bank of Sri Lanka prior to declaring the said dividend.

59.2 Surcharge Tax

The Surcharge Tax Act No 14 of 2022 (Act) was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 08 April 2022. As per the said Act, Surcharge Tax is payable by company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold specified in the Act. The Group of companies will meet the chargeability threshold when the aggregate taxable income of all subsidiaries and holding company (excluding the companies with nil taxable income due to losses or unrelieved losses) exceed Rs.2 Billion for Y/A commencing from 1 April 2020. Such Group of companies will be liable for Surcharge tax at a rate of 25% on the taxable income of each subsidiary and holding company excluding gains and profits from dividends received from a subsidiary which is part of such taxable income for Y/A commencing from 1 April 2020.

Central Finance Company PLC as company and group meet the chargeability threshold referred to above and was liable for Surcharge Tax.

	Surcharge liability	1st Instalment paid on April 2022	2nd Instalment on or before 20th July 2022
	Rs.	Rs.	Rs.
Company	2,175,436,221.00	1,087,718,110.00	1,087,718,111.00
Group	2,185,437,793.00	1,092,718,896.00	1,092,718,897.00

The Group has paid the 1st instalment amounting to Rs. 1,092,718,896/- on 18th April 2022.

As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22 April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1 April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1 April 2021. Such adjustment will be incorporated in the Financial Statements for the next reporting period.

Notes to the Financial Statements

60 RELATED PARTY DISCLOSURES

The group carries out transactions with parties who are defined as related parties in the Sri Lanka Accounting Standard - LKAS 24 on "Related party disclosures", in the ordinary course of its business. The details of such transactions are reported below. 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.

60.1 Parent and ultimate parent

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

60.2 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standard - LKAS 24 on "Related party disclosures" key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Accordingly, the Company's KMPs include members of the board of directors who are responsible for planning, directing and controlling the operations of the company.

Accordingly, the Company's KMP include the Board of Directors (including executive and non-executive directors).

KMPs of the Group

The Company is ultimate parent of the subsidiaries listed in Note 33. Thus KMPs of the Company have the authority and responsibility for planning, directing and controlling of the activities of the Group and have been defined as KMPs of the Group as well.

Close Family Members (CFMs) of KMPs are those family members who may be expected to influence, or be influenced by that KMP in their dealings with the entity. CFMs may include the domestic partner and children of KMP, the children of KMP's domestic partner and dependence of KMP and the KMP's domestic partner.

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
60.2.1 Compensation to KMP's				
Short term employee benefits	276,283	176,510	243,472	153,099
Contributions to provident fund	28,321	18,713	25,441	17,445
Contributions to gratuity fund	8,803	7,639	8,397	7,147

	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
60.2.2 Other transactions with Key Management Personnel and their close family members				
Liabilities				
Financial liabilities at amortised cost - Deposits	1,140,831	972,939	1,140,831	972,939
Income statement				
Interest Income	-	176	-	176
Interest Expense	83,089	91,895	83,089	91,895
Cash flow statement				
Placement of deposits	138,914	50,500	138,914	50,500
Recovery of loans	-	1,681	-	1,681

60.2.3 Directors' other directorships within the group

The directors of the company are also directors of the following subsidiary and associate companies of the group.

The company carried out transactions in the ordinary course of business at market rates with these related entities.

	E.H. Wijenaik	A.K. Gunaratne	D.Pde Silva	C.K.Hettiarachchi	A.D.B.Talwatte	Dr.(Mrs.)A.D.N.de Zoysa	K.B.Herath	A.R.Fernando	M.H.de Silva	C.S.Hettiarachchi
Central Industries PLC	X	X	-	-	-	-	-	-	-	X
Central Developments Ltd.	-	X	X	X	-	-	-	-	-	-
Dehigama Hotels Company Ltd.	X	-	-	-	-	-	-	-	-	X
Expanded Plastic Products (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-
Central Mineral Industries (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-
Central Transport & Travels Ltd.	-	-	-	X	-	-	-	-	-	X
Central Construction & Development (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-
CF Growth Fund Ltd.	-	X	X	X	-	-	-	-	-	-
The Kandy Private Hospitals Ltd.	-	-	-	-	-	-	-	-	-	-
CF Insurance Brokers (Pvt) Ltd.	-	X	X	x	-	-	-	-	-	X
Central Homes (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	X
Hedges Court Residencies (Pvt) Ltd.	-	-	X	-	-	-	-	-	-	-
Nations Trust Bank PLC	-	-	-	-	-	-	-	X	-	-
Tea Smallholder Factories PLC	X	X	-	-	-	-	-	-	-	-

60.2.4 Number of shares held by KMP's and their close family members

As at 31st March	2022	2021
	In:'000	In:'000
Voting	46,148,901	45,759,669
Year ended 31st March	2022	2021
	Rs:'000	Rs:'000
Cash dividends paid to KMP's and their close family members	174,470	-
Value of scrip dividends paid to KMP's and their close family members	54,912	54,090

Notes to the Financial Statements

60.3 Transactions with Group entities

The Group includes subsidiaries and associates. The details of subsidiaries and associates are given in notes 33 and 34.

		Company	
		31.03.2022	31.03.2021
		Rs.'000	Rs.'000
60.3.1	Transactions with subsidiaries		
	Statement of financial position		
	Assets		
	Trade and other receivables	21,800	19,950
	Loans and advances	10,645	16,563
	Right to use assets	101,698	135,598
	Liabilities		
	Deposits	308,718	434,574
	Amounts due to subsidiaries	168,419	182,122
	Lease Liabilities	117,759	146,928
	Income statement		
	Rendering of services	10,011	12,090
	Rent expense	43,186	39,260
	Vehicle hire rentals paid	901	1,071
	Accounting and administration charges received	175	175
	Vehicle hire rentals received	3,727	4,030
	Dividend income	98,355	70,306
	Interest income	1,558	1,377
	Interest expense	36,497	27,929
	Rent income	10,019	11,064
	Cash flow statement		
	Collection of insurance premium	1,787,930	924,741
	Deposits placed	16,416	309,506
	Withdrawal of deposits by subsidiaries	143,247	364,713
	Loans given	20,600	29,495
	Recovery of loans	26,978	23,790

		Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
60.3.2	Transactions with associate				
	Statement of financial position				
	Assets				
	Securities bought under repurchase agreements	2,181,644	2,605,915	2,181,644	2,605,915
	Deposits	-	4,112	-	-
	Debentures	327,282	-	327,282	-
	Lease and hire purchase receivables	-	266	-	266
	Liabilities				
	Deposits	-	193,058	-	193,058
	Short term loans and overdraft facilities	3,066	1,175,246	3,066	1,175,246
	Income statement				
	Interest expense	70,558	34,410	70,558	34,410
	Interest income	11,949	147,471	11,949	147,471
	Dividend income	221,202	134,563	119,717	74,775
	Cash flow statement				
	Lease/vehicle hire facilities given	20,418	11,540	20,418	11,540
	Investments in reverse REPOs	47,673,000	20,187,600	47,673,000	20,187,600
	Divestment of reverse REPOs	48,082,000	20,937,600	48,082,000	20,937,600
	Investments in debentures	321,240	-	321,240	-
	Vehicle hire rentals received	18,937	16,654	18,937	16,654
	Lease and hire purchase rentals received	-	5,117	-	5,117

Fixed deposits placed with related parties are unsecured and all other balances due from related parties are secured.

60.4 Disclosure requirement under Section 9.3.2 (a) and 9.3.2 (b) of the CSE Listing Rules

As required by rule 9.3.2 (a) of the Listing Rules of the Colombo Stock Exchange, there are no non-recurrent related party transactions which exceed 10% of the equity or 5% of the total assets, whichever is lower, as per the audited financial statements of the company.

During the financial year ended 31.03.2022, the company carried out transactions with Nations Trust Bank PLC in the ordinary course of business at market rates, the value of which exceed 10% of the consolidated gross revenue/income of the group as per the latest audited financial statements of the company.

As required by rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange details of the above transactions are given below. However, these transactions are exempt transactions as per section 9.5 (e) of the listing rules.

Name of the related party	Relationship	Nature of the transaction	Aggregate value of related party transactions entered into during the financial year (Rs.000)	Aggregate value of related party transactions as a % of gross revenue/income	Terms and conditions of the related party transactions
Nations Trust Bank PLC	Associate company	Investment in reverse REPO'S	47,673,000	193.95%	Transactions are carried out at market rates with general terms and conditions in the ordinary course of business
Nations Trust Bank PLC	Associate company	Divestment of reverse REPOs	48,082,000	195.61%	Transactions are carried out at market rates with general terms and conditions in the ordinary course of business
Nations Trust Bank PLC	Associate company	Investment in debentures	321,240	1.31%	Transactions are carried out at market rates with general terms and conditions in the ordinary course of business

60.5 Transactions with Government of Sri Lanka/Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

Year ended	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lease receivables	-	47,207	-	47,207
Operating lease receivables	(548)	2,605	(548)	2,605
Operating lease facilities given	270,127	-	270,127	-
Vehicle hire rentals received	403,437	472,020	403,437	472,020
Lease rentals received	7,638	16,505	7,638	16,505

The Government of Sri Lanka indirectly holds 12.47% of the voting rights of the company as at 31st March 2022 (31.03.2021 12.33%) through Sri Lanka Insurance Corporation -Life Fund, Sri Lanka Insurance Corporation -General Fund, Employees Provident Fund and Employees Trust Fund Board.

60.6 Pricing policy and terms for transactions with related parties

Company enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees. The terms include pricing for loans and collateral obtained for loans where appropriate.

Notes to the Financial Statements

61 MATURITY ANALYSIS

An analysis of the total assets employed and the total liabilities of the Company, based on the remaining period from the reporting date to the respective contractual maturity dates is given below:

Assets are stated net of provisions

	Up to 3 months		3 to 12 months		1 to 3 years	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest earning assets:						
Securities bought under repurchase agreements	5,201,821	4,378,520	-	-	-	-
Financial assets at amortised cost- Debt and other financial instruments	16,809,972	898,515	1,410,827	2,265,381	10,000	152,801
Financial assets at amortised cost- Net investment in leases and hire purchase	8,678,128	10,942,195	14,102,934	15,828,530	25,950,815	30,334,292
Financial assets at amortised cost- Loans and receivables from customers	1,260,895	1,444,123	2,480,132	1,437,626	1,515,124	1,120,409
Total interest earning assets	31,950,816	17,663,353	17,993,893	19,531,537	27,475,939	31,607,502
Non-interest earning assets:						
Cash and cash equivalents	697,409	930,534	-	-	-	-
FVTPL financial assets	968,093	14,299,981	-	-	-	-
Investments in real estate	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-
Other assets	852,716	336,137	-	-	-	-
Investments in equity accounted investees	-	-	-	-	-	-
Inventories and other stocks	54,436	48,724	-	-	-	-
Investments properties	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Right of use assets	41,514	41,358	111,804	108,392	226,713	216,605
Intangible assets	-	-	-	-	-	-
Total non-interest earning assets	2,614,168	15,656,734	111,804	108,392	226,713	216,605
Total assets	34,564,984	33,320,087	18,105,696	19,639,929	27,702,652	31,824,107
Percentage	34.55%	32.80%	18.10%	19.33%	27.69%	31.32%
Interest bearing liabilities:						
Bank overdrafts	215,438	1,444,603	-	-	-	-
Financial liabilities at amortised cost -Deposits	13,193,874	15,244,794	27,675,518	27,102,340	9,942,155	10,167,975
Financial liabilities at amortised cost -Interest bearing borrowings	14,239	968,496	40,233	40,303	38,245	88,533
Lease liabilities	34,537	32,864	136,485	135,317	294,453	271,444
Total interest bearing liabilities	13,458,088	17,690,757	27,852,236	27,277,960	10,274,852	10,527,952
Non-interest bearing liabilities:						
Employee benefit obligations	223,085	300,213	669,254	900,028	304,446	92,549
Current tax liabilities	1,597,150	1,253,375	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Other liabilities	981,142	982,441	8,692	11,889	18,353	31,072
Total non-interest bearing liabilities	2,801,396	2,536,029	677,946	911,917	322,798	123,621
Total liabilities	16,259,464	20,226,787	28,530,182	28,189,877	10,597,651	10,651,573
Percentage	27.45%	30.70%	48.17%	42.78%	17.89%	16.16%
Contingent liabilities						
Fully secured guarantees issued on behalf of depositors	9,000	9,170	20,165	60,215	-	800
Letter of credit facilities	-	19,106	5,325	-	-	-

Maturities of interest bearing liabilities and employee benefit obligations are presented on undiscounted basis.

3 to 5 years		More than 5 years		Impairment provision		Total	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	-	-	-	-	-	5,201,821	4,378,520
2,741,770	-	-	945,000	(39,228)	(34,847)	20,933,341	4,226,850
9,904,213	9,088,271	219,667	268,725	(4,954,168)	(5,353,452)	53,901,589	61,108,561
421,785	238,511	79,911	140,320	(1,030,010)	(967,536)	4,727,838	3,413,453
13,067,768	9,326,782	299,578	1,354,045	(6,023,406)	(6,355,835)	84,764,589	73,127,384
-	-	-	-	(175)	(151)	697,234	930,383
-	-	-	-	-	-	968,093	14,299,981
58,566	64,535	-	-	(53,411)	(53,838)	5,155	10,697
-	-	333,614	306,481	-	-	333,614	306,481
-	-	30,892	58,530	(10,473)	(14,668)	873,135	379,998
-	-	1,538,020	1,454,646	-	-	1,538,020	1,454,646
-	-	-	-	-	-	54,436	48,724
-	-	78,800	303,800	-	-	78,800	303,800
-	-	10,082,958	10,056,995	-	-	10,082,958	10,056,995
91,261	119,459	88,224	88,893	-	-	559,516	574,707
-	-	84,809	100,280	-	-	84,809	100,280
149,827	183,994	12,237,318	12,369,625	(64,060)	(68,657)	15,275,770	28,466,692
13,217,595	9,510,776	12,536,896	13,723,670	(6,087,466)	(6,424,492)	100,040,359	101,594,076
13.21%	9.36%	12.53%	13.51%	-6.09%	-6.32%	100.00%	100.00%
-	-	-	-	-	-	215,438	1,444,603
1,673,563	4,105,861	-	-	-	-	52,485,110	56,620,970
-	-	-	-	-	-	92,717	1,097,332
135,409	154,121	125,561	134,675	-	-	726,444	728,421
1,808,973	4,259,982	125,561	134,675	-	-	53,519,709	59,891,326
441,722	529,493	-	-	-	-	1,638,506	1,822,283
-	-	-	-	-	-	1,597,150	1,253,375
-	-	1,438,012	1,872,272	-	-	1,438,012	1,872,272
-	-	27,455	28,238	-	-	1,035,641	1,053,640
441,722	529,493	1,465,467	1,900,510	-	-	5,709,309	6,001,570
2,250,694	4,789,475	1,591,028	2,035,185	-	-	59,229,019	65,892,896
3.80%	7.27%	2.69%	3.09%	0.00%	0.00%	100%	100.00%
-	-	-	-	-	-	29,165	70,185
-	-	-	-	-	-	5,325	19,106

Notes to the Financial Statements

62 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer to page 101 for the statement of the Directors' Responsibility for Financial Reporting.

Directors' Interest in Contracts with the Company

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Related party transactions are detailed in note 60 to the financial statements as required by LKAS 24 "Related Party Disclosures". In addition, the company carried out transactions in the ordinary course of business on an arm's length basis with entities where a director of the company is also a director of such entities as detailed below:

Company	Name of Director	Relationship	Nature of Transaction	Transaction Value		Facilities Granted During the Year		Rentals Received		Hire Charges Received		Balance Outstanding		Dividend Received	
				2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
				Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Sunshine Holdings PLC	A.D.B.Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	46,500	23,744	21,022	-	-	50,525	64,509	-	-
DIMO PLC	A.D.B.Talwatte	Independent Non-executive Director	Purchase of spare parts	5,828	5,059	-	-	-	-	-	-	-	-	-	-
			Purchase of vehicles for hiring vehicle fleet	-	74,940	-	-	-	-	-	-	-	-	-	-
			Lease supplier payments	60,960	19,209	-	-	-	-	-	-	-	-	-	-
Tokyo Cement Company (Lanka) PLC	A.D.B.Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	-	-	-	1,878	1,525	146	177	-	-
			Equity Investment	30,511	30,511	-	-	-	-	-	-	-	-	809	450
Sunshine Healthcare Lanka Limited	A.D.B. Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	-	36,350	11,047	14,122	-	-	29,422	33,472	-	-
Cheveron Lubricants Lanka PLC	A.D.B.Talwatte	Independent Non-executive Director	Hire of Vehicles	-	-	51,983	-	119	145	34,728	32,422	488	123	-	-
			Lease finance facility	-	-	-	-	-	-	-	-	-	98	-	-
Finance Houses Consortium (Pvt) Limited	C.S.Hettiarachchi	Director	Equity Investment	-	18,348	-	-	-	-	-	-	-	-	1,220	998
			Placement of fixed deposits	2,247	995	-	-	-	-	-	-	-	-	-	-
Credit Information Bureau of Sri Lanka.	C.S.Hettiarachchi	Director	Hire of Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
The Leasing Association of Sri Lanka	C.S.Hettiarachchi	Chairman	Placement of fixed deposits	1,160	1,097	-	-	2,454	2,454	-	-	4,579	5,861	11,585	15,446
Equity Two PLC	E.H.Wijenaik	Independent Non-executive Director	Placement of fixed deposits	22,579	-	-	-	-	-	-	-	-	-	-	-
Equity One Ltd.	E.H.Wijenaik	Director	Placement of fixed deposits	24,692	-	-	-	-	-	-	-	-	-	-	-

Group Companies

COMPANY PROFILE

	Subsidiaries				
	Central Industries PLC	Central Developments Ltd	Central Transport and Travels Ltd	Central Construction and Development (Pvt) Ltd	Central Mineral Industries (Pvt) Ltd
Year of Incorporation	1984	1974	1990	1983	1990
Stated Capital	Rs. 284,912,402 (21,788,936 Shares)	Rs.132,940,000 (13,294,000 Shares)	Rs.29,490,070 (2,949,007 Shares)	Rs.50,000 (5000 Shares)	Rs.3,500,000 (350,000 Shares)
Group Holding	49.98%	99.99%	99.99%	99.90%	99.99%
Status of the Company	Quoted	Unquoted	Unquoted	Unquoted	Unquoted
Principal Business Activities	Manufacture and distribution of PVC pipes and fittings	Investment company	Hiring of vehicles	Investment company	Manufacture of mineral products
Registered Office	No. 312, Nawala Road, Rajagiriya.	No. 270, Vauxhall Street, Colombo 02.	No. 84, Raja Veediya, Kandy.	No. 84, Raja Veediya, Kandy.	Diganatenna Estate, Gonawala, Digana.

BOARD OF DIRECTORS

	G.S.N. Peiris (Chairman)	A.K. Gunaratne	C.S. Hettiarachchi	W.M.S. Wanasinghe	W.M.S. Wanasinghe
	E.H. Wijenaike	D.P. de Silva	C.K. Hettiarachchi	G.A. Bandaranayake	G.A. Bandaranayake
	C.S.W. De Costa	C.K. Hettiarachchi	G.A. Bandaranayake		
	A.K. Gunaratne		A.R. Wijenaike		
	A. Hettiarachchi		W.M.S. Wanasinghe		
	I.S. Jayasinghe				
	C.S. Hettiarachchi				
	D.T.R. De Silva				
	M. Rupatunga				
Company Secretary	Corporate Services Ltd, No 216, De Saram Place, Colombo 10	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy

	Central Homes (Pvt) Ltd	CF Growth Fund Ltd	CF Insurance Brokers (Pvt) Ltd	Dehigama Hotels Company Ltd	Expanded Plastic Products (Pvt) Ltd	Hedges Court Residencies (Pvt) Ltd
Year of Incorporation	1987	1992	1995	1973	1978	2005
Stated Capital	Rs.34,175,020 (3,417,502 Shares)	Rs.163,036,780 (16,303,678 Shares)	Rs.123,750,000 (12,375,000 Shares)	Rs.8,280,700 (828,070 Shares)	Rs.64,000,000 (6,400,000 Shares)	Rs.50,000,000 (5,000,000 Shares)
Group Holding	99.99%	99.99%	99.99%	79.69%	99.99%	99.99%
Status of the Company	Unquoted	Unquoted	Unquoted	Unquoted	Unquoted	Unquoted
Principal Business Activities	Property development and sale of real estate	Investment company	Insurance broking	Renting of commercial property	Investment company	Construction and sale of apartments
Registered Office	No. 270, Vauxhall Street, Colombo 02.	No. 270, Vauxhall Street, Colombo 02.	No. 270, Vauxhall Street, Colombo 02.	No. 84, Raja Veediya, Kandy.	No. 270, Vauxhall Street, Colombo 02.	No. 270, Vauxhall Street, Colombo 02.
	C.S. Hettiarachchi	A.K. Gunaratne	G.S.N. Peiris (Chairman)	E.H. Wijenaike	W.M.S. Wanasinghe	D.P. de Silva
	M.S. Kumara	D.P. de Silva	D.P. de Silva	W.A.L. Galagoda	M.S. Kumara	M.S. Kumara
		C.K. Hettiarachchi	A.K. Gunaratne	L. Sirimanne		
			C.S. Hettiarachchi	A. Jayasinghe		
			C.K. Hettiarachchi	C.S. Hettiarachchi		
			D.A.C. Goonetilleke	A.R. Wijenaike		
			A.R. Wijenaike			
Company Secretary	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Corporate Services Ltd, No 216, De Saram Place, Colombo 10	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy

Group Companies

COMPANY PROFILE	Subsidiaries		Associates
	Kandy Private Hospitals Ltd	Nations Trust Bank PLC	Tea Smallholders Factories PLC
	1967	1999	1991
	Rs.6,084,750 (550,500 Shares)	Rs.10,401,432,000 (Voting - 260,425,305 Convertible Non-voting - 41,049,262)	Rs.150,000,000 (30,000,000 Shares)
	66.74%	Voting 19.72% Convertible Non-voting 31.88%	29.30%
	Unquoted	Quoted	Quoted
	Provision of healthcare services	Licensed commercial bank	Manufacture and sale of black tea
	No. 255/8, Katugastota Road, Kandy.	No. 242, Union Place, Colombo 02.	No. 4, Layden Bastian Road, Colombo 01.
BOARD OF DIRECTORS	G.S.N. Peiris	J.G.A. Cooray (Chairman)	K.N.J. Balendra (Chairman)
	A.P.R. Aluwihare	J.C.A.D' Souza	E.H. Wijenaike
	S.B. Etulgama	R.D. Rajapaksa	A.S. Jayathilleke
	P.B. Iddawela	N.I.R. De Mel	J.G.A. Cooray
	S. Ranasinghe	S.L. Sebastian	S.K.L. Obeysekere
	A.M.L. Beligaswatte	R.S. Cader	A.K. Gunaratne
	G.A. Bandaranayake	C.H.A.W. Wickramasuriya	A. Goonetilleke
		A.R. Fernando	A.Z. Hashim
		R. Shanmuganathan	
		C.K. Hettiarachchi	
		L.P.B. Talwatte	
	Kandy Business Consultants (Pvt) Ltd, 80, Kings Street, Kandy	Theja Silva	Keells Consultants Limited 130, Glennie Street, Colombo 02

Group Value Added Statement

For the year ended 31st March	Group			
	2022		2021	
	Rs.'000	%	Rs.'000	%
Value Added				
Operating income earned by providing financial services	22,434,558		22,247,507	
Cost of services	(11,371,007)		(11,100,161)	
Value added by financial services	11,063,551		11,147,346	
Net income from financial instruments at FVTPL	678,734		1,094,480	
Other Income	1,466,942		652,279	
Impairment on loans and other credit losses	(286,966)		(3,270,465)	
Share of profit of equity accounted investees	1,388,131		1,069,144	
	14,310,392		10,692,784	
Value Allocated				
To employees				
Remuneration & other benefits	2,705,000	18.90	2,267,499	21.21
To providers of capital				
Dividends to shareholders	795,741	5.56	784,087	7.33
Non-controlling interest	273,352	1.91	235,836	2.21
To government Revenue				
Income tax	2,373,343	16.58	1,024,160	9.58
Taxes on financial services	1,298,900	9.08	863,462	8.08
To expansion and growth				
Retained income	6,207,047	43.37	4,760,045	44.52
Depreciation & amortisation	657,010	4.59	757,694	7.09
	14,310,392	100.00	10,692,784	100.00

Consolidated sources & utilisation of income

For the year ended 31st March	Group			
	2022		2021	
	Rs.'000	%	Rs.'000	%
Sources of income				
Interest and operating income	22,434,558	86.39	22,247,507	88.76
Net income from financial instruments at FVTP	678,734	2.61	1,094,480	4.37
Other income	1,466,942	5.65	652,279	2.60
Share of associate companies' profits before tax	1,388,131	5.35	1,069,144	4.27
	25,968,365	100.00	25,063,410	100.00
Utilisation of income				
Interest expenses	3,782,899	14.57	6,150,191	24.54
Remuneration & other benefits to employees	2,705,000	10.42	2,267,499	9.05
Other operating expenses including cost of sales impairment on loans & other credit losses	8,532,083	32.86	8,978,130	35.82
and depreciation & amortisation				-
Taxation	3,672,243	14.14	1,887,622	7.53
Dividends to shareholders	795,747	3.06	784,087	3.13
Retained income	6,207,047	23.90	4,760,045	18.99
Non-controlling interest	273,352	1.05	235,836	0.94
	25,968,365	100.00	25,063,410	100.00

Quarterly Statistics - Company

As at	31.03.2022	31.12.2021	30.09.2021	30.06.2021
Statement of financial position				
(Rs.'000)				
Total assets	100,040,359	99,684,474	96,092,526	96,864,223
Advances to customers	58,629,427	59,610,826	58,488,027	61,136,575
Average assets	99,862,417	97,888,500	96,478,375	99,229,150
Bank and other borrowings	303,767	403,501	329,821	1,199,652
Deposits	49,024,182	49,412,505	49,123,081	50,066,935
Shareholders' funds	44,466,181	43,288,293	40,997,239	39,676,708
For the three months ended				
31.03.2022				
Income statement				
(Rs.'000)				
Interest income	3,932,851	3,616,403	3,299,636	3,314,212
Interest expenses	(945,925)	(892,523)	(925,657)	(1,055,291)
Net interest income	2,986,926	2,723,880	2,373,979	2,258,921
Operating lease income	271,402	265,734	264,302	257,368
Net income from financial instruments at FVTPL	9,185	171,563	201,464	217,224
Other income	587,304	408,185	517,531	166,205
Total operating income	3,854,817	3,569,362	3,357,276	2,899,718
Impairments and other credit losses	(497,487)	1,790,135	(202,581)	(1,363,154)
Net operating income	3,357,330	5,359,497	3,154,695	1,536,564
Operating expenses	(1,401,205)	(1,189,905)	(1,036,033)	(1,013,668)
Operating profit before taxes on financial services	1,956,125	4,169,592	2,118,662	522,896
Taxes on financial services	(342,606)	(540,586)	(303,783)	(111,925)
Profit before tax	1,613,519	3,629,006	1,814,879	410,971
Income tax expense	(433,580)	(996,920)	(512,935)	(169,521)
Profit for the quarter	1,179,939	2,632,086	1,301,944	241,450
Other comprehensive income for the quarter	(3,213)	-	-	-
Total comprehensive income for the quarter	1,176,726	2,632,086	1,301,944	241,450
Ordinary share information				
Market price per share (Rs.)				
Highest	118.00	102.50	94.80	104.75
Lowest	65.00	80.00	80.00	79.80
Last traded	68.10	93.00	80.60	91.90
Net asset per share	195.58	190.40	180.32	174.51
Financial measures				
Profitability				
Return on capital employed (annualised) (%)	10.96	19.71	12.09	6.31
Return on average shareholders' equity (annualised) (%)	10.76	24.98	12.91	2.43
Return on assets (annualised) (%)	4.73	10.76	5.40	0.97
Productivity				
Non interest expenses to total revenue (%)	29.19	26.67	24.19	25.63
Cost to income (%)	36.35	33.34	30.86	34.96
Asset quality				
Gross NPA ratio (%)	9.86	14.21	21.10	17.94

Information on Shares and Debentures

SHARE INFORMATION

1. STOCK EXCHANGE

The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The audited income statement for the year ended 31st March 2022 and the audited statement of financial position as at 31st March 2022 of the Company and of the Group are submitted to the shareholders and Colombo Stock Exchange within three months from the close of the financial year.

2. NUMBER OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2022 – 4,397

(Stated capital of the Company consists solely of voting ordinary shares).

(Number of shareholders as at 31.03.2021 – 3,699)

Following tables show the pattern of distribution of shareholders

No. of Shares Held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	% Shareholders	No. of Shareholders	No. of Shares	% Shareholders	No. of Shareholders	No. of Shares	% Shareholders
1-1,000	2,307	582,433	0.26	12	4,926	-	2,319	587,359	0.26
1,001-10,000	1382	4,879,825	2.15	12	68,107	0.03	1,394	4,947,932	2.18
10,001-100,000	538	14,661,901	6.45	20	639,803	0.28	558	15,301,704	6.73
100,001-1,000,000	96	25,045,722	11.02	8	1,674,559	0.74	104	26,720,281	11.76
Over 1,000,000	17	148,369,993	65.25	5	31,427,193	13.82	22	179,797,186	79.07
	4,340	193,539,874	85.13	57	33,814,588	14.87	4,397	227,354,462	100.00

There were 3,638 resident and 61 non-resident shareholders as at 31st March 2021.

	31st March 2022			31st March 2021		
	No. of Shareholders	No. of Shares	% Shareholders	No. of Shareholders	No. of Shares	% Shareholders
Individuals	4,073	98,741,373	43.43	3,442	97,367,116	43.46
Institutions	324	128,613,089	56.57	257	126,657,871	56.54
	4,397	227,354,462	100.00	3,699	224,024,987	100.00

3. PUBLIC HOLDING – 31ST MARCH 2022

The company qualifies under option two of the minimum public holding requirement No.7.14.1 of the Listing Rules of the Colombo Stock Exchange as of 31st March 2022 and relevant information is given below

	Float adjusted market capitalisation (Rs. Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Available amount
Option 02	Rs.7.5 Bn	Rs. 9.84Bn	5%	63.59%	500	4,382

Information on Shares and Debentures

3.1 PUBLIC HOLDING – 31ST MARCH 2021

The company qualifies under option one of the minimum public holding requirement No.7.13.1 of the Listing Rules of the Colombo Stock Exchange as of 31 March 2021 and relevant information is given below

	Float adjusted market capitalisation (Rs. Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Available amount
Option 01	Rs.10Bn	Rs. 11.47Bn	No minimum requirement	63.45%	500	3,684

4. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2022

	31st March 2022		31st March 2021**	
	No. of Shares	%	No. of Shares	%
1 Corporate Services (Private) Limited A/C No 01	36,625,096	16.11	36,088,465	16.11
2 E.H. Wijenaik	35,039,742	15.41	34,526,340	15.41
3 Employees Provident Fund	24,419,181	10.74	24,061,391	10.74
4 Thurston Investments Limited	13,239,955	5.82	13,045,963	5.82
5 Hallsville Trading Group Inc.	12,283,136	5.40	12,056,371	5.38
6 Ceylon Investment PLC A/C # 02	8,804,536	3.87	8,813,521	3.93
7 A.J. Wijenaik	7,091,476	3.12	6,987,572	3.12
8 Ceylon Guardian Investment Trust PLC A/C # 02	6,070,801	2.67	6,064,799	2.71
9 E.W. Balasuriya & Co. (Pvt) Ltd	5,393,074	2.37	4,277,148	1.91
10 N.W. Wijegoonawardene	4,687,434	2.06	4,618,754	2.06
11 Rubber Investment Trust Limited A/C # 01	4,403,312	1.94	6,113,409	2.73
12 C.R. Dunuwille	2,923,384	1.29	2,880,551	1.29
13 N.M. Gunawardana	2,818,820	1.24	2,777,519	1.24
14 P.R. Munasinha	2,659,783	1.17	2,620,812	1.17
15 Sri Lanka Insurance Corporation Ltd.- Life Fund.	2,007,199	0.88	1,841,241	0.82
16 S.K. Wedande	1,847,633	0.81	1,820,562	0.81
17 Employees Trust Fund Board	1,832,061	0.81	1,614,890	0.72
18 A.K. Gunaratne	1,810,661	0.80	1,784,132	0.80
19 P.M. Wijenaik	1,683,206	0.74	1,658,544	0.74
20 N.M. Wahab	1,626,448	0.72	1,602,618	0.72
	177,266,938	77.97	175,254,602	78.23
Others	50,087,524	22.03	48,770,385	21.77
Total	227,354,462	100.00	224,024,987	100.00

**Comparative shareholdings as at 31st March 2021 held by the twenty largest shareholders as at 31st March 2022.

5. MARKET VALUE

Movement in market value of the ordinary shares of the company was as follows

	2021/2022	2020/2021	2019/2020
	Rs.	Rs.	Rs.
Highest	118.00 (on 18.01.2022)	135.00 (on 29.01.2021)	110.00 (on 05.12.2019)
Lowest	65.00 (on 30.03.2022)	72.50 (on 10.06.2020)	81.00 (on 20.03.2020)
Year end	68.10	80.70	81.00

6. DIVIDEND PAYMENTS

Dividend per share

	2021/2022	2020/2021
	Rs.	Rs.
Interim paid	1.50	-
Final – paid	-	3.50
Proposed	2.00	-
Total	3.50	3.50

	2021/2022	2020/2021
Dividend pay-out (Rs.000)	795,741	784,087

7. SHARE TRADING

	2021/2022	2020/2021	2019/2020
No. of shares traded	23,858,800	29,328,774	11,286,640
Value of shares traded (Rs. '000)	2,256,223	2,834,515	1,093,447
Market capitalization (Rs. '000)	15,482,838	18,078,816	17,874,623

8. STATED CAPITAL IS REPRESENTED BY NUMBER OF SHARES IN ISSUE AS GIVEN BELOW

	31.03.2022	31.03.2021
Ordinary voting shares	227,354,462	224,024,987

9. DEBENTURES

9.1 Information on Listed Debentures

The Company made no debenture issues during the year ended 31st March 2022.

The debentures issued by the Company to the value of Rs.6.5 billion in June 2013, December 2013 and June 2015 has been fully redeemed by May 2020.

Objectives of the debentures issued in June 2013, December 2013 and June 2015 have been fully achieved.

9.3 Credit Ratings

There were no changes in credit ratings of the Company during the year.

Decade at a Glance

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group income	11,318,774	13,410,771	15,963,249	16,284,923	18,145,869	20,502,024	23,566,453	25,758,685	23,994,266	24,580,234
Interest income	9,755,419	11,916,505	12,463,439	12,624,010	14,104,260	16,114,759	18,571,815	20,116,816	16,604,313	14,219,402
Net income from financial instruments at FVTPL								216,267	1,094,480	678,734
Other revenue	-	-	2,524,826	2,660,584	2,823,108	2,786,351	3,340,097	3,753,158	4,628,028	7,160,077
Operating lease income	1,022,377	1,034,981	334,506	364,207	497,619	807,240	1,000,957	1,030,459	1,015,166	1,055,079
Other income	540,978	459,285	640,478	636,122	720,882	793,674	653,584	641,985	652,279	1,466,942
Interest expenses										
Interest on deposits	(3,010,368)	(3,873,030)	(3,345,777)	(2,744,446)	(3,301,687)	(4,314,616)	(4,760,353)	(5,624,498)	(5,130,566)	(3,714,968)
Interest on bank and other borrowings	(1,058,674)	(857,349)	(758,369)	(937,630)	(943,840)	(888,929)	(1,216,837)	(1,102,713)	(974,886)	(21,404)
Interest on lease liabilities	-	-	-	-	-	-	-	(41,816)	(44,739)	(46,527)
Cost of sales	-	-	(1,761,781)	(1,792,067)	(1,981,548)	(1,970,053)	(2,412,427)	(2,696,572)	(3,399,801)	(5,393,157)
Operating expenses	(2,826,385)	(3,394,155)	(3,694,249)	(4,251,348)	(4,653,890)	(4,801,213)	(4,948,269)	(5,254,740)	(4,575,363)	(5,556,961)
Impairment and other credit losses	(201,441)	(1,216,365)	(1,834,150)	(658,347)	(302,794)	(396,051)	(2,213,650)	(4,785,758)	(3,270,465)	(286,966)
Share of profit of equity accounted investees, net of tax	438,629	480,869	533,127	549,105	628,890	793,947	765,726	859,924	1,069,144	1,388,131
Taxes on financial services	(218,177)	(182,591)	(240,796)	(444,978)	(815,686)	(1,116,079)	(1,431,885)	(1,275,328)	(863,462)	(1,298,900)
Profit before income tax	4,442,358	4,368,150	4,861,254	6,005,212	6,775,314	7,809,030	7,348,758	5,837,184	6,804,128	9,649,482
Income tax expense	(1,157,641)	(1,013,784)	(1,126,234)	(1,902,419)	(2,020,285)	(2,303,003)	(2,220,004)	(1,727,880)	(1,024,160)	(2,373,343)
Net profit for the year	3,284,717	3,354,366	3,735,020	4,102,793	4,755,029	5,506,027	5,128,754	4,109,304	5,779,968	7,276,139
Attributable to equity holders of the parent	3,217,058	3,291,239	3,633,279	3,993,671	4,665,195	5,439,837	5,041,398	3,990,148	5,544,132	7,002,787
Attributable to non-controlling interest	67,658	63,127	101,741	109,122	89,834	66,190	87,356	119,156	235,836	273,352

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of financial position										
Stated capital	568,420	568,420	568,420	568,420	1,337,564	1,337,564	1,527,778	1,696,898	1,961,597	2,230,286
Capital reserves	1,337,282	2,517,669	2,527,454	2,509,879	2,510,631	2,291,952	4,745,864	4,823,863	5,102,431	4,976,248
Reserve fund	939,000	1,078,000	1,229,000	1,396,000	1,599,000	1,824,000	2,037,000	2,213,000	2,371,000	2,715,000
OCI reserve / AFS reserve	12,887	26,665	102,499	91	(37,023)	19,637	17,993	111,767	27,538	(398,492)
Investment fund	478,857	732,716	-	-	-	-	-	-	-	-
Loan loss reserve	-	-	-	-	-	920,000	920,000	920,000	920,000	920,000
Revenue reserves	13,553,801	16,062,203	19,891,223	22,303,590	24,158,943	27,521,078	31,492,005	34,560,162	39,669,450	45,392,409
Funds attributable to equity holders of the parent	16,890,247	20,985,673	24,318,596	26,777,980	29,569,115	33,914,231	40,740,640	44,325,690	50,052,016	55,835,451
Non-controlling interest	630,839	731,711	795,979	855,819	884,232	865,255	1,119,290	1,197,191	1,453,433	1,634,702
	17,521,086	21,717,384	25,114,575	27,633,799	30,453,347	34,779,486	41,859,930	45,522,881	51,505,449	57,470,153

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Cash and other liquid assets	3,326,317	4,580,351	4,919,919	4,152,976	4,377,189	4,911,973	5,477,473	7,617,271	6,192,421	24,213,144
Financial assets held for trading	33,101	536,737	218,080	39,992	447,991	654,954	564,843	5,599,847	15,669,893	1,655,884
Available for sale investments	195,404	206,981	267,024	234,820	-	-	-	-	-	-
Investments in equity accounted investees	2,364,929	2,719,082	3,167,824	3,537,114	4,075,059	5,769,300	6,503,658	7,430,736	8,276,910	9,221,337
Advances to customers	44,318,139	48,341,935	53,464,335	59,735,967	62,782,169	68,880,573	81,747,336	78,510,364	64,514,535	58,626,258
Other assets	2,272,034	3,577,169	3,365,417	3,470,872	3,498,109	3,763,330	3,304,995	6,030,770	7,434,991	9,455,717
Property, plant and equipment	4,047,417	5,467,305	5,801,116	5,925,833	7,134,854	8,395,647	12,659,775	12,605,679	12,308,748	12,433,609
Total assets	56,557,341	65,429,560	71,203,715	77,097,574	82,315,371	92,375,777	110,258,080	117,794,667	114,397,498	115,605,949
Liabilities										
Deposits	26,984,757	32,673,095	33,448,265	34,299,143	35,527,936	40,570,199	45,149,518	52,912,500	52,152,495	48,715,464
Bank and other borrowings	7,661,345	6,411,628	6,322,225	8,504,386	9,050,927	8,167,277	13,137,443	11,165,090	3,129,256	932,834
Other liabilities	4,390,153	4,627,453	6,318,650	6,660,246	7,283,161	8,858,815	10,111,189	8,194,196	7,610,298	8,487,498
Total liabilities	39,036,255	43,712,176	46,089,140	49,463,775	51,862,024	57,596,291	68,398,150	72,271,786	62,892,049	58,135,796
Key indicators										
Group										
Earnings per share (Rs.)	30.67	31.38	34.64	38.08	21.52	24.88	22.85	17.81	24.39	30.80
Net asset value per share (Rs.)	161.04	200.09	231.86	255.31	135.23	155.10	184.62	197.86	220.15	245.59
Company										
No of shares	104,883,333	104,883,333	104,883,333	104,883,333	216,758,888	216,758,888	218,661,027	220,674,367	224,024,987	227,354,462
Earnings per share (Rs.)	26.45	26.47	28.63	31.79	18.05	20.65	18.50	12.92	18.19	23.56
Net asset value per share (Rs.)	138.81	171.01	196.55	214.26	111.81	127.57	150.94	159.06	175.72	195.58
Gross dividends (Rs.'000)	304,162	335,627	367,092	419,534	509,383	867,036	787,180	529,618	784,087	795,741
Dividend cover (times covered)	9.12	8.27	8.18	7.95	7.68	5.16	5.14	5.38	5.20	6.73
Market price per share (Rs.)	180.00	181.00	250.10	210.00	86.20	99.90	84.50	81.00	80.70	68.10
Price earnings ratio	6.80	6.84	8.74	6.61	4.78	4.84	4.57	6.27	4.44	2.89

Income Statement in US Dollars

For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
	USD'000	USD'000	USD'000	USD'000
Income	83,643	120,073	59,552	97,113
Interest income	48,387	83,092	48,195	82,803
Less: Interest expenses	12,873	30,777	12,997	31,000
Net interest income	35,514	52,315	35,198	51,803
Net income from financial instruments at FVTPL	2,310	5,477	2,040	5,155
Net other revenue	6,013	6,146	-	-
Operating lease income	3,590	5,080	3,603	5,100
Other income	4,992	3,264	5,714	4,055
Total operating income	52,419	72,282	46,555	66,113
Less: Impairment and other credit losses	977	16,366	929	16,294
Net Operating Income	51,442	55,916	45,626	49,819
Less: Operating expenses	9,205	11,347	8,030	9,743
Personnel expenses	9,705	11,549	7,762	10,658
Premises, equipment, establishment and other expenses	18,910	22,896	15,792	20,401
Operating profits before share of profit of equity accounted investees	32,532	33,020	29,834	29,418
Share of profit of equity accounted investees, net of tax	4,724	5,350	-	-
Operating profit before taxes on financial services	37,256	38,370	29,834	29,418
Less: taxes on financial services	4,420	4,321	4,420	4,321
Profit before tax	32,836	34,049	25,414	25,097
Less: Income tax expense	8,076	5,125	7,190	4,399
Profit for the year	24,760	28,924	18,224	20,698
Profit attributable to :				
Equity holders of the parent	23,830	27,744	18,224	20,698
Non-controlling interest	930	1,180	-	-
Profit for the year	24,760	28,924	18,224	20,698
Basic and diluted earnings per share - USD	0.10	0.10		
Dividend per share	0.01	0.02		

USD Exchange rate was Rs. 293.87 as at 31st March 2022 (USD Exchange rate was Rs. 199.83 as at 31st March 2021)

The Income Statement given on this page is solely for the convenience of the shareholders, bankers, investors, customers and other users of financial statements and do not from a part of the audited financial statements.

Statement of Financial Position in US Dollars

As at 31st March	Group		Company	
	2022 USD'000	2021 USD'000	2022 USD'000	2021 USD'000
ASSETS				
Cash and cash equivalents	4,082	4,945	2,373	4,656
Fair value through profit or loss financial assets	5,635	78,416	3,294	71,561
Securities bought under repurchase agreements	17,701	21,911	17,701	21,911
Financial assets at amortised cost- Debt and other financial instruments	75,919	22,388	71,233	21,152
Financial assets at amortised cost- Loans and receivables from customers	16,077	17,044	16,088	17,082
Financial assets at amortised cost- Net investment in leases and hire purchase	183,420	305,803	183,420	305,802
Trade receivables	5,411	5,393	-	-
Investments in subsidiaries	-	-	1,135	1,534
Investments in equity accounted investees	31,379	41,420	5,234	7,279
Inventories and other stocks	5,534	6,907	185	244
Investment properties	268	1,520	268	1,520
Property, plant and equipment	42,310	61,596	34,311	50,328
Right of use assets	1,558	2,198	1,904	2,876
Intangible assets	292	504	289	502
Current tax assets	4	12	-	-
Deferred tax asset	52	92	-	-
Other assets	3,732	2,271	2,971	1,902
Real estates held for sale	18	54	18	54
Assets held for sale	0.34	-	-	-
Total assets	393,392	572,474	340,424	508,403
LIABILITIES				
Bank overdrafts	763	7,283	733	7,229
Financial liabilities at amortised cost -Deposits	165,772	260,706	166,823	262,881
Financial liabilities at amortised cost -Interest bearing borrowings	2,411	8,377	301	5,461
Lease liabilities	1,446	1,954	1,847	2,689
Employee benefit obligations	6,051	9,805	5,556	9,027
Current tax liabilities	6,034	6,908	5,435	6,272
Deferred tax liability	6,009	11,017	4,893	9,369
Other liabilities	9,338	8,678	3,524	5,551
Liabilities directly associated with the assets held for sale	4	-	-	-
Total liabilities	197,828	314,728	189,112	308,479
EQUITY				
Stated capital	7,589	9,816	7,589	9,816
Statutory Reserve fund	9,239	11,865	9,239	11,865
Revaluation reserve	16,934	25,534	12,199	18,755
Fair value reserve	(1,356)	138	-	-
Loan loss reserve	3,131	4,604	3,131	4,604
General reserve	79,637	117,114	79,599	117,059
Retained earnings	74,827	81,402	39,555	37,825
Total equity, excluding non-controlling interest	190,001	250,473	151,312	199,924
Non-controlling interest	5,563	7,273	-	-
Total equity	195,564	257,746	151,312	199,924
Total liabilities and equity	393,392	572,474	340,424	508,403
Net asset value per share - USD	0.85	1.12	0.67	0.89

USD Exchange rate was Rs. 293.87 as at 31st March 2022 (USD Exchange rate was Rs. 199.83 as at 31st March 2021)

The Statement of financial position given on this page is solely for the convenience of the shareholders, bankers, investors, customers and other users of financial statements and do not form a part of the audited financial statements.

Glossary of Financial Terms

A

Accounting policies - The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual basis - The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

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

Associate company - An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

C

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

Collective impairment provisions - Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

Consolidated financial statements - Financial statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies - A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

Corporate governance - Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure

on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Credit risk - The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

D

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

Dividend cover - Profit attributable to ordinary shareholders divided by gross dividends to ordinary shares; this indicates number of times dividend is covered by current year's distributable profits.

Dividend per share - Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

E

Earnings per share (EPS) - Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Effective interest method - Is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Equity method - A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net

assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

F

Fair value - Is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset - Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial instrument - Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability - A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Finance lease - A lease that transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Title may or may not eventually be transferred.

G

Gross dividend - The proportion of profit distributed to shareholders including the tax withheld.

Group - A group is a parent and all its subsidiaries and associates.

H

Held-for-trading - Debt and equity investments that are purchased with the intent of selling them within a short period of time.

Held to maturity investment - Are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Hire purchase - A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

Impairment - This occurs when recoverable amount of an asset is less than its carrying amount.

Individual impairment - Impairment is measured on an individual basis for Non homogeneous groups of lending facilities that are considered as individually significant.

Intangible asset - An intangible asset is an identifiable non- monetary asset without physical substance

Interest cover - Earnings before interest and tax divided by interest expenses. This indicates the ability to cover or service interest charges of the debt holders.

L

Lease - An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liquid asset - Assets that are held in cash or in a form that can be converted to cash readily, such as balances with banks and treasury bills.

Liquidity risk - The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

M

Market capitalisation - Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market risk - The risk that the fair value or future cash flows of a financial instrument will fluctuate because of

changes in market price. Market risk comprises three types of risks: currency risk, interest rate risk, and other price risk.

N

Non-controlling interest - Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Net asset value per ordinary share - Ordinary shareholders' funds divided by the number of ordinary shares in issue.

Non-performing advances - Loans and advances of which rentals are in arrears for six months or more.

O

Operating lease - An operating lease is a lease other than a finance lease.

P

Parent - A parent is an entity that has one or more subsidiaries.

Past due - A financial asset is past due when a counterparty has failed to make a payment when contractually due.

R

Related parties - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions - Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Reverse repurchase agreement - Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

Return on average assets (ROA) - Profit after tax expressed as a percentage of average total assets.

Return on average equity (ROE) -

Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

S

Segmental analysis - Analysis of financial information by segments of an enterprise specifically the different industries and the different geographical areas in which it operates.

Shareholders' funds (Equity) - Total of issued and fully paid ordinary share capital and capital and revenue reserves attributable to ordinary shareholders.

Subsidiary company - An entity, including an unincorporated entity such as a partnership, which is controlled by another entity, known as the parent.

Substance over legal form - The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.

T

Tier I capital - Core capital representing permanent share holders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II capital - Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debts, such as, hybrid capital instruments and unsecured subordinate term debts.

Transaction costs - Are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Notice of Meeting

Notice is hereby given that the Sixty Fourth (64th) Annual General Meeting of Central Finance Company PLC (the "Company") will be held via virtual platform on the 30th June 2022 at 9.30 a.m. for the following purposes.

1. To receive and consider the annual report of the board of directors along with the financial statements of the Company for the year ended 31st March 2022 and the auditors' report thereon
2. To declare a final dividend as recommended by the board of directors and to consider and if thought fit, to pass the following resolutions:

ORDINARY RESOLUTION - DISTRIBUTION OF A FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2022

IT IS HEREBY RESOLVED THAT

- (i) a final dividend of Rupees Two (Rs. 2.00) per share constituting of a total dividend of Rupees Four Hundred Fifty Four Million Seven Hundred and Eight Thousand Nine Hundred and Twenty Four (Rs.454,708,924.00) be paid on the issued and fully paid shares of the Company for the financial year ended 31st March 2022.
 - (ii) the shareholders entitled to the final dividend would be those shareholders whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Private) Limited ("CDS") as at end of trading on the 30th June 2022 (the "Entitled Shareholders").
 - (iii) accordingly the management and secretaries of the Company be and are hereby authorised to attend to all matters pertaining to the aforesaid final dividend.
3. To re-elect as a director K.B. Herath, who retires by rotation in terms of Article 105 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 4. To re-elect as a director M.H. de Silva, who retires by rotation in terms of Article 105 of the Articles of Association of the Company, and being eligible has offered himself for re-election.
 5. To elect as a director C.S. Hettiararchchi, who was appointed to the Board to fill the vacancy during the financial year 2021/22, is eligible for election in terms of Article 111 of the Articles of Association of the Company has offered himself for election.

6. To re-appoint KPMG, Chartered Accountants who are deemed to be re-appointed as auditors of the Company until the conclusion of the next AGM of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for the financial year ending 31st March 2023 and to authorise the directors to determine their remuneration therefor.
7. To authorize the directors to determine the contributions to charities for the ensuing year.

By order of the Board,

Corporate Services (Private) Limited
Secretaries

Central Finance Company PLC
Colombo, on this 07th day of June 2022

Note:

1. Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company.
2. A completed form of proxy must be deposited at 216, de Saram Place, Colombo 10 or forwarded to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.
3. It is proposed to dispatch the dividend warrants on 08th July 2022 in accordance with the rules of the Colombo Stock Exchange. The shares of the Company will be quoted ex-dividend with effect from 01st July 2022.

Form of Proxy

*I/We.....of.....

being *a shareholder/shareholders of CENTRAL FINANCE COMPANY PLC do hereby appoint

- | | |
|--------------------------------------------------|-----------------|
| 1. Asite Drupath Bandara Talwatte | or failing him, |
| 2. Eranjith Harendra Wijenaikie | or failing him, |
| 3. Arjuna Kapila Gunaratne | or failing him, |
| 4. Dhammika Prasanna de Silva | or failing him, |
| 5. Dr. (Mrs.) Agampodi Damitha Nandanie de Zoysa | or failing her, |
| 6. Arjun Rishya Fernando | or failing him, |
| 7. Chandika Kushan Hettiarachchi | or failing him, |
| 8. Kuda Banda Herath | or failing him, |
| 9. Manjula Hiranya de Silva | or failing him, |
| 10. Chaminda Sampath Hettiarachchi | or failing him, |

.....of.....

..... as my/our proxy to attend and vote at the Annual General Meeting of the Company to be held on the 30th June 2022 and at any adjournment thereof.

	For	Against
1. To receive and consider the annual report of the Board of Directors together with the financial statements of the Company and the report of the auditors thereon for the financial year ended 31st March 2022.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final divided of Rupees Two (Rs.2.00) per share by way of a cash dividend	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director, K.B. Herath, who retires by rotation in terms of Article 105 of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a director, M.H. de Silva who retires by rotation in terms of Article 105 of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect as a director C.S. Hettiararchchi, who was appointed to the Board to fill the vacancy during the financial year 2021/22, is eligible for election in terms of Article 111 of the Articles of Association of the Company has offered himself for election.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s KPMG, Chartered Accountants who are deemed to be re-appointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for the financial year ending 31st March 2023 and to authorise the directors to determine their remuneration therefor.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the directors to determine the contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this.....day of.....Two Thousand and Twenty Two

.....
*Signature/s

Note: Please delete the inappropriate words.

INSTRUCTIONS AS TO COMPLETION

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Company Secretaries, Corporate Services (Private) Limited or forwarded to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.

Investor Feedback Form

To request information or submit a comment/query to the company, please complete the following and return this page to -

General Manager - Finance
Central Finance Company PLC,
270, Vauxhall Street,
Colombo 2,
Sri Lanka.

Email: thiliniw@cf.lk

Name :

Permanent mailing address :

.....

Contact numbers (Tel) :
Country code Area code Number

(Fax) :
Country code Area code Number

Email :

Name of company :
(If applicable)

Designation :
(If applicable)

Company address :
(If applicable)

.....

Queries/ comments

Please tick (✓) the appropriate box

Yes No

Would you like to receive soft copies of the CF annual and interim reports via e-mail?

☐ ☐

Would you like to receive news and press releases of CF via e-mail?

☐ ☐

Would you like to receive any information on our products/services?

☐ ☐

CORPORATE INFORMATION

NAME OF COMPANY

Central Finance Company PLC

LEGAL FORM

A Quoted Public Company with limited liability incorporated in Sri Lanka on 5th December 1957 and registered under the Companies Act No. 07 of 2007.

Registered under Finance Business Act No. 42 of 2011 and Finance Leasing Act No. 56 of 2000.

Approved Credit Agency under:

- Mortgage Act No. 6 of 1949
- Trust Receipt Ordinance No. 12 of 1947

COMPANY REGISTRATION NUMBER

PQ 67

DIRECTORS

A. D. B. Talwatte

Independent Non - executive Director/Chairman

E. H. Wijenaike

Managing Director

A. K. Gunaratne

Deputy Managing Director/Deputy CEO

D. P. de Silva

Director/Chief Operating Officer

Dr. (Mrs) A. D. N. de Zoysa

Independent Non - executive Director

A. R. Fernando

Non - executive Director

C. K. Hettiarachchi

Director (Marketing)

K. B. Herath

Independent Non - executive Director

M. H. de Silva

Independent Non - executive Director

C. S. Hettiarachchi

Director (Corporate Affairs)

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stock Exchange

HEAD/ REGISTERED OFFICE

84, Raja Veediya, Kandy

Telephone : 081 - 2227000

Facsimile : 081 - 2232047

CITY OFFICE

270, Vauxhall Street, Colombo 2.

Telephone : 011 - 2300555

Facsimile : 011 - 2300441

E-mail : cenfin@cf.lk

Website : www.centralfinance.lk

BANKERS

Bank of Ceylon

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

NDB Bank PLC

Nations Trust Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

DFCC Bank PLC

State Bank of India

AUDITOR

KPMG,

Chartered Accountants,

32A, Sir Mohamed Macan Markar Mawatha,

P.O. Box 186,

Colombo 03,

Sri Lanka.

LEGAL ADVISER

F. J. & G. de Saram,

Attorneys-at-Law,

P.O. Box 212,

Colombo

CREDIT RATINGS

A+(Ika) by Fitch Ratings Lanka Limited

COMPANY SECRETARY

Corporate Services (Pvt) Limited,

216, de Saram Place,

Colombo 10.

Telephone : 011 - 4605100

Facsimile : 011 - 4718220

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www.centralfinance.lk